CHENG SHIN RUBBER IND. CO., LTD.

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Annual Report 2016

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CHENG SHIN RUBBER IND. CO., LTD.

2016 Annual Report

<u>Notice to readers</u>

This English-version annual report is a summary translation of the Chinese version and is not an official document of the shareholders' meeting. If there is any discrepancy between the English and Chinese versions, the Chinese version shall prevail.

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Headquarters, Branches and Plant

COMPANY NAME	ADDRESS	TEL
Headquarters	No.215, Meigang Rd., Dacun Township, Changhua County 51545, Taiwan (R.O.C.)	886-4-8525151-60
2nd Plant	No.199, Sec. 1, Zhongshan Rd., Dacun Township, Changhua County 51545, Taiwan (R.O.C.)	886-4-8520133
3rd Plant	No.146, Sec. 2, Zhongshan Rd., Dacun Township, Changhua County 51542, Taiwan (R.O.C.)	886-4-8524146
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Xizhou Plant	No.602, Sec. 2, Zhongshan Rd., Xizhou Township, Changhua County 52445, Taiwan (R.O.C.)	886-4-8893211-2
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Overseas Securities Exchange: None.

Corporate Website：http://www.cst.com.tw

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I. Letter to Shareholders

Dear Shareholders,

Looking back at 2016, the global economic and trade activities rebounded strongly from the year before. The growth of emerging markets and developing economies accounted for 80% of the global growth. In Taiwan, the domestic monitoring indicator flashed a green light in the second half of the year and the composite scores continued to rise. While exports are growing steadily, there remain uncertainties that would require close monitoring, including the direction of the economic and trade policies of the new US administration, the subsequent development after the UK formally began the process of exiting the EU, the anti-establishment sentiment in Europe, and the successive national elections to be held by a number of major economies in the Eurozone. According to the World Economic Outlook issued by IMF in January 2017, the global growth for 2016 is estimated at 3.1%, in line with the forecast. Global economy points to a pickup in growth this year, with a mild increase to 3.4%. In emerging markets and developing economies, the growth rate is projected to reach 4.6%, driven primarily by the markets in India (7.6%) and China (6.2%)—the two countries will continue to act as the dual engines that fuel global economic activities in 2017.

As the global economy recovers, demands in the tire industry have climbed by 3%, and the average sales price could see an increase with rising raw material costs. The market in China outperformed its counterparts in Europe and the US, propelling other regions to return to growth. Global demand for tires was generally consistent with the economic conditions. Last year, the consolidated operating revenue of the Company was NT$117.387 billion. Despite the unfavorable factors of price and currency rate, we were able to overcome by a 10.9% volume increase and achieved growth in our year-end operating revenue—up by 0.6% compared to a year earlier. Currently, we have 12 production bases around the world located in China, Southeast Asia and India respectively. The construction of factories under "Project India + Indonesia" have been completed successively and are scheduled to begin production in the second and third quarters of 2017. On one hand, we continue the expansion of manufacturing facilities to increase production capacity. On the other hand, we are enhancing our strategic, organizational and technological capabilities by establishing our four primary systems—Logistics Information Management System (SAP), Manufacturing Execution System (MES), Customer Relationship Management System (CRM), and Product Lifecycle Management System (PLM). With these upgrades and improvements, we are confident in our ability to deliver continued revenue growth and to attain our business goal of becoming one of the top 5 companies in the tire industry by 2026.

1.1 Results of Operations in 2016

(1) Results of operations based on our business plan for 2016

1) Sales and Production

(pcs. in thousands)

Products	2016 Production	2016 Sales	2015 Production	% Change
PCR	46,108	46,526	42,823	8.65%
TBR	4,011	3,952	3,126	26.42%
MC	60,848	60,696	50,737	19.63%
BC	68,937	71,610	81,674	-12.32%
TUBE	138,624	139,463	130,593	6.79%
OTHER TIRES	18,292	17,017	15,876	7.19%

2) Operation Summary

IFRS Consolidated

in NT$1000

Item	2016	2015	% Change
Net Sales	117,387,519	116,726,293	0.57%
Cost of Goods Sold	81,098,410	81,168,501	-0.09%
Operating Expenses	17,617,527	16,937,412	4.02%
Operating Profit	18,671,582	18,620,380	0.27%
Net Profit	13,346,481	12,839,214	3.95%

IFRS Individual

in NT$1000

Item	2016	2015	% Change
Net Sales	20,637,507	21,348,480	-3.33%
Cost of Goods Sold	13,889,311	14,063,907	-1.24%
Operating Expenses	3,965,777	4,027,925	-1.54%
Operating Profit	2,845,044	3,186,455	-10.71%
Net Profit	13,250,903	12,776,655	3.71%

(2) Revenue Forecast and Realization

The sales revenue in 2016 totaled NT$117.4 billion, a realization of 96% of the sales forecast, which was NT$122.6 billion.

(3) Financial Position and Profitability Analysis

IFRS Consolidated

in NT$1000

Item			**2016**	**2015**	**% Change**
Income Statement	Sales Revenue		117,387,519	116,726,293	0.57%
	Gross Profit		36,289,109	35,557,792	2.06%
	Net Profit		13,346,481	12,839,214	3.95%
Profitability	Return on Assets (ROA) (%)		8.45	8.12	4.06%
	Return on Equity (ROE) (%)		14.98	14.38	4.17%
	As a % of Paid-in Capital	Operating Profit	57.60	57.45	0.26%
		Pre-tax Profit	55.21	53.92	2.39%
	Net Profit Margin (%)		11.37	11.00	3.36%
	Earnings Per Share (NT$)		4.09	3.94	3.81%

IFRS Individual

in NT$1000

Item			**2016**	**2015**	**% Change**
Income Statement	Sales Revenue		20,637,507	21,348,480	-3.33%
	Gross Profit		6,748,196	7,284,573	-7.36%
	Net Profit		13,250,903	12,776,655	3.71%
Profitability	Return on Assets (ROA) (%)		11.05	10.73	2.98%
	Return on Equity (ROE) (%)		15.00	14.44	3.88%
	As a % of Paid-in Capital	Operating Profit	8.78	9.83	-10.68%
		Pre-tax Profit	48.25	47.56	1.45%
	Net Profit Margin (%)		64.21	59.85	7.28%
	Earnings Per Share (NT$)		4.09	3.94	3.81%

(4) Research and Development

- New product development of spare tires for cars
- Motorcycle tires — development of high performance series
- Bicycle tires — development of high performance series
- New product R&D project on tires for the use of other vehicles
- New product development of the new generation Maxxis PCR tires
- Research project on TBR tire technology
- New product development of TBR tires
- Research project on various fuel-efficient tire technologies

1.2 Outline of 2017 Business Plan

(1) Business Strategies

1) Continued revenue growth.
2) Strengthening strategic and organizational capabilities.
3) Glocalization—building the headquarters with global and local considerations.
4) Increasing manufacturing efficiency by improving existing production capacity and expanding manufacturing facilities.
5) Enhancing R&D capabilities in technologies and equipment to maximize profits.
6) Ensuring safety, health and environmental protection, and implementing energy management.

(2) Sales Volume Forecast and Basis

IFRS Consolidated

(in pcs. in thousands)

Item	2017 Volume Forecast
	Sales
PCR	48,956
TBR	4,873
MC	59,163
BC	92,709
TUBE	137,769
OTHERS	16,465
TOTAL	359,935

IFRS Individual

(in pcs. in thousands)

Item	2017 Volume Forecast
	Sales
PCR	8,124
TBR	316
MC	6,519
BC	8,007
TUBE	10,665
OTHERS	3,441
TOTAL	37,072

*This forecast is based on the assessment made during the sales meeting held on January 25, 2017.

(3) Key Production and Distribution Policy

As we enter into the year of 2017, our strategy focuses on customer satisfaction. By understanding the needs of our customers and incorporating local marketing trends, we can enable real-time production planning. On product integration, the production efficiency of our featured products as well as low-volume and customized products will also be optimized through the integration of different production lines.

The strength of our business is the result of our unwavering commitment to excel in the tire industry with a service-oriented and global mindset. We are committed to offering better products and maximizing profits for our customers. Thank you for your continued support, we will endeavor to deliver new value proposition for our shareholders, customers and employees.

Sincerely yours,

Lo, Tsai-Jen

Chairman

II. Company Profile

2.1 Date of Incorporation

January 1, 1967

2.2 Company History

Year	Milestones
1967	The Company was established as a limited liability company with 178 employees and NT$6,000,000 in capital, specializing in the production of motorcycle and bicycle tires. All products were approved by the Bureau of Standards, Metrology and Inspection (BSMI) under the Ministry of Economic Affairs to use the CNS㊣ symbol.
1969	The Company became a company limited by shares on December 19, and began the collaboration of technique and business with a Japanese corporation, Kyowa Ltd. The capital of the Company was increased to NT$24,000,000, and the export business was expanded.
1971	US Department of Transportation approval of using the DOT symbol was obtained for product quality. The excellent reputation of the Company in the overseas markets has been developed. Employees increased to 600.
1972	Factory construction was completed at the site at the time, and officially became a part of the production process. The products go from domestic oriented sales to export oriented.
1973	The Company began planning and acquiring technical knowledge and adding equipment, and planed for the manufacturing of automobile tires.
1974	The Company was awarded number one rubber industry exporter. The capital of the Company was increased to NT$120,000,000. The Company began the manufacturing and selling truck tires in June.
1975	The Company implemented strict product quality control, and purchased modern equipment for the quality control. The office in Los Angeles, USA was set up. Employees increased to 1,200.
1976	The company, in accordance with new CNS standards, obtained further approval from the central BSMI to use the ㊣symbol for the outer tires of large trucks, small trucks, transport cars, agriculture vehicles, and motorcycles.
1977	The Taipei office, responsible for export business, was established in the Taipei World Trade Building. The capital of the Company was increased to NT$220,000,000.
1980	The factory was awarded a product quality A rating by the Ministry of Economic Affairs. The capital of the Company was increased to NT$420,000,000 and employees of the Company were increased to 2,200.
1981	The Zhung Zhuang Plant was completed, and specializes in the production of high quality bicycle tires. The capital of the Company increased to NT$583,800,000.
1982	The Company signed a technical cooperation agreement with Toyo Tire & Rubber

	Co., Ltd., and established factory for the latest radial tires for passenger cars. The capital of the Company increased to NT$720,000,000.
1983	Total domestic and export sales reached NT$2,708,000,000. The company was awarded number one in the country for the tire industry. Full efforts were made to research and develop passenger car radial tires. The capital of the Company increased to NT$828,000,000.
1984	The Company was awarded the Japanese government's approval of using the Japanese Industrial Standard Symbol for bicycle and motorcycle tires and tubes. The company began producing and marketing passenger car radial tires and expanded its export market. The capital of the Company increased to NT$910,800,000. The total sales for domestic and export turnover was NT$2,890,000,000.
1986	Total sales for domestic and export turnover of the Company reached NT$3,770,000,000. The bicycle tire sales volume broke NT$20,000,000. The company invested in new mixing machines in order to increase productivity.
1987	The Xi Zhou Plant was built and scheduled to produce bicycle tires. The capital of the Company reached NT$1,332,045,000. The Company and Toyo Rubber Co., Ltd. established Yang Industrial Co., Ltd jointly to co-produce shock proof rubber auto parts. The automobile tires and inner tubes, tires for industrial vehicles, and farming machinery manufactured by the Company were awarded to use the Japanese Industrial Standard Symbol. The Company was listed on the Taiwan Stock Exchange on December 7.
1988	The Xi Zhou Plant officially began production of bicycle tires. The company's Main Plant expanded a radial tire production capacity. The capital of the Company increased to NT$1,625,094,900. The Company and Kyowa Ltd jointly established a tire sales corporation in Osaka to expand output in Japan. The Company also invested in domestic Pacific Securities Co., Ltd. to diversify investment avenues.
1989	The Main Plant continued to expand facilities for producing radial tire. The capital of the Company increased to NT$2,031,368,630. The Company invested in the establishment of Cheng Shin Rubber (Hong Kong) Limited.
1990	The Company turnover exceeded NT$5,100,000,000. The paid-in capital increased to NT$2,437,640,000. The Company invested in the establishment of Cheng Shin Rubber USA, Inc., and the San Yueh Textile Company.
1991	Cheng Shin Germany was established in March. On September 16, Cheng Shin Germany relocated to the Netherlands and was renamed Cheng Shin Rubber (Europe) Ltd. in order to expand trades in the Europe. The paid-in capital of the Company increased to NT$2,632,653,750. On October 17, the Ministry of Economic Affairs approved the company to increase its capital by US$20,000,000 through Cheng Shin Rubber Company (Hong Kong) Limited, and indirectly invest in the establishing of

	Xiamen Cheng Shin Rubber Industry Co., Ltd.
1992	The turnover exceeded NT$6,000,000,000. The paid-in capital of the Company increased to NT$3,159,184,500. The Company was active in the production of radial tire expansion plan. General Manager Chen, Yun-Hwa assumed on August 1st. Cheng Shin Rubber (Europe) Limited was revoked.
1993	Paid-in capital increased to NT$3,633,062,180. Automated storage was completed and in use in July. The radial tire expansion plan was completed and began to be tested and produced. CST Trading Ltd. is established after approval by the Investment Commission in November to indirectly invest in mainland China to establish "Cheng Shin Tire & Rubber (China) Co., Ltd.". The international standard quality assurance system ISO 9001 certification was awarded in December and the Company was the first tire industry company to obtain this qualification in the Republic of China.
1994	Paid-in capital increased to NT$4,214,352,130. In August, the Investment Commission approved the US$15,000,000 investment for increasing capital for Cheng Shin Rubber (Xiamen) Ind. Ltd. The Ford F1 Quality Certification was awarded to the Company in November.
1995	Paid-in capital increased to NT$5,015,079,030. The Investment Commission approved the US$30,000,000 investment for increasing equity capital of Cheng Shin Tire & Rubber (China) Co., Ltd in April.
1996	Paid-in capital increased to NT$5,515,079,000. In January, Toyo Tire & Rubber Co., Ltd. invested in Cheng Shin Tire & Rubber (China) Co., Ltd., to enable capital increase to US$72,000,000, accounted for 30%. In August, the Investment Commission approved the US$2,500,000 investment for establishment of Cheng Shin-Toyo (Kunshan) Machinery Co., Ltd with capital of US$5,000,000 which was jointly invested with Toyo Tire & Rubber Co., Ltd. and the Company’s investment accounted for 50%. The second phase of the Cheng Shin Rubber (Xiamen) Ind. Ltd. was completed and formally put into production.
1997	Paid-in capital increased to NT$6,068,245,620. On May 29. the QS9000 quality certification was obtained. The Cheng Shin Tire & Rubber (China) Co., Ltd. factory construction was completed and formally put into production in July. Investment Commission approval was obtained in July to establish in the Cayman Islands Maxxis International Co., Ltd. to indirectly invest in Cheng Shin Rubber (Xiamen) Ind. Ltd.
1998	Paid-in capital increased to NT$6,796,435,090. In October, the Investment Commission approved indirect investment into Tianjin Tafeng Rubber Ind. Co., Ltd. via indirect investment of US$1,2000,000. On October 20, the Company's Xizhou Plant was awarded the Total Productive Maintenance (TPM) the first class distinguished plant in Japan.
1999	Paid-in capital increased to NT$747607860. In November, a US technology center

	was set up by the US subsidiary.
2000	Paid-in capital increased to NT$7,849,882,530. The Company won the ROC National Quality Award in October. In November, the Company received the National Industrial Waste Reduction Award from the Industrial Development Bureau, Ministry of Economic Affairs. In December, the Company won the ROC Proposal Association the gold medal group award.
2001	Paid-in capital increased to NT$8,360,124,890. The Xizhou Plant was awarded the Total Productive Maintenance (TPM) the first class distinguished plant in Japan.
2002	The Investment Commission approved an indirect capital increase via the company's subsidiary Cst Trading Ltd. for Cheng Shin Tire & Rubber (China) Co., Ltd. of US$20,000,000. MAXXIS tires won the Forbes Magazine 2002 Global Award for enterprise excellence. Capital increased to NT$8,861,732,380. On November 1, the Investment Commission approved the establishment of Cheng Shin Tire (Xiamen) Co., Ltd. through indirect investment, and on December 31, approved investment in Thailand is to establish a new company Maxxis International (Thailand) Co., Ltd.
2003	On March 6, Maxxis International (Thailand) Co., Ltd. officially started the construction of its plant. On September 23, the Company's MAXXIS brand was awarded by the Ministry of Economic Affairs and the international brand consultancy firm (INTERBRAND GROUP) as one of Taiwan's top twenty international brands, ranked fifth and the brand value estimated at US$256,000,000. In addition, capital increase of the Chen Shin company to the end of 2003 was NT$9,570,670,970.
2004	Cheng Shin Tire (Xiamen) Co., Ltd. and Maxxis International (Thailand) Co., Ltd. completed the constructions and entered into the factory test trial production stage. On October 4, the Company MAXXIS brand won the 2004 Taiwan Top Twenty international brands ranked sixth, brand value of NT$9,402,000,000. Furthermore, the Company's paid-in capital increased to NT$10,489,455,380.
2005	Maxxis International (Thailand) Co., Ltd. completed its first phase of all-round production, with daily production of 6,000 passenger car tires. Cheng Shin Tire (Xiamen) Co., Ltd. daily production was 700 all steel radial tires. The European technology center was established. The Company MAXXIS brand continued to be in Taiwan's top twenty international brands for 2005, with brand value of US$264,000,000. In addition, the Company's paid-in capital increased to NT$11,381,059,080.
2006	Taiwan's Cheng Shin R&D center was completed and about to use. Maxxis International (Thailand) Co., Ltd. and the Cheng Shin Tire (Xiamen) Co., Ltd.'s production capacity expansion was completed. Cheng Shin Rubber (Vietnam) Ind. Co., Ltd. began construction. MAXXIS brand was once again awarded as Taiwan Top Twenty International Brand for 2006, brand value of US$271,000,000. The company's

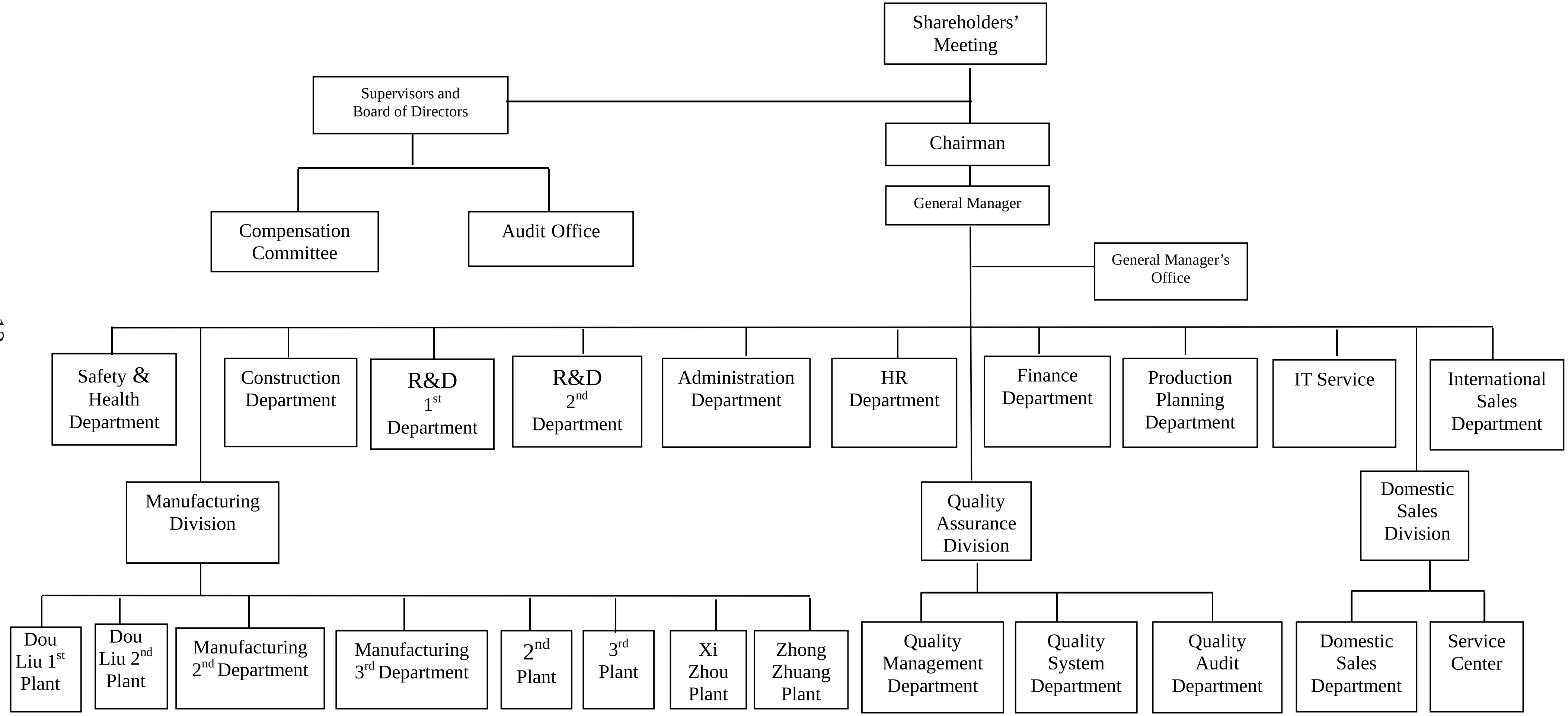
	paid-in capital increased to NT$12,177,733,220.
2007	The first phase of construction of Cheng Shin Rubber (Vietnam) Ind. Co., Ltd.'s factory was completed, and started trial production in March, expecting to be formally operational in August. XiaMen Cheng Shin Enterprise Co., Ltd. began the production operations began in January. The Company's MAXXIS brand continued to be awarded 2007 Taiwan's top twenty international brands, brand value of US$309,000,000. The company's paid-in capital increased to NT$13,030,174,540.
2008	Maxxis International (Thailand) Co., Ltd. Plant B's factory is constructed, Cheng Shin Tire & Rubber (China) Co., Ltd. and the Cheng Shin Tire (Xiamen) Co., Ltd. production capacity was upgraded, Cheng Shin Rubber (Vietnam) Ind. Co., Ltd. was all-round operational. The Company's MAXXIS brand continued to be one of Taiwan's top twenty international brands in 2008, brand value of US$346,000,000. The Company's paid-in capital increased to NT$14,984,700,720.
2009	Maxxis International (Thailand) Co., Ltd. Plant B's construction's first phase was completed and started trial production in March, and formally put into production in May. On November 13, the Investment Commission approved indirect investment of US$20,000,000 to establish Cheng Shin (Xiamen) International Automobile Cultural Center Co., Ltd. via MAXXIS International Co., Ltd. On December 16, the Investment Commission approved the Company's subsidiary to acquire the 22.36% equity interest (which was owned by Toyo Tire & Rubber Co., Ltd.) in Cheng Shin Tire & Rubber (China) Co., Ltd. The Company's MAXXIS brand continued to be one of Taiwan's top twenty international brands in 2009, brand value of US$345,000,000. The company's paid-in capital increased to NT$16,483,170,790.
2010	On April 16, the Investment Commission approved the company to indirectly invest capital of US$30,000,000 in Cheng Shin Rubber (Xiamen) Ind. Ltd. via subsidiary MAXXIS International Co., Ltd. On April 23, the Investment Commission approved the establishment of Cheng Shin Tire & Rubber (Chong Qing) Co., Ltd. by US$30,000,000 via indirect investment by subsidiary CST Trading Limited, and starting its building in June. In October, the Douliu Plant and Xiamen Jimei plant started their building. On November 30, the Investment Commission approved the Company to indirectly capital increase Cheng Shin Rubber (Xiamen) Ind. Ltd. via subsidiaries MAXXIS International Co., Ltd. by US$45,000,000. The Company's MAXXIS brand continues to be one of Taiwan's top twenty international brands in 2010, brand value of US$391,000,000. The Company's paid-in capital increased to NT$20,603,963,490.
2011	On February 17, the Board of Directors approved for the subsidiary, Cheng Shin Tire & Rubber (China) Co., Ltd. to indirectly invest US$50,000,000 capital increase to Cheng Shin Tire & Rubber (Chong Qing) Co., Ltd. On August 11, the Investment

	Commission approved the company to indirectly increase the capital of the Cheng Shin Tire (Xiamen) Co., Ltd. by US$18,000,000 via subsidiary MAXXIS International Co., Ltd. On July 19, the Board of Directors approved the establishment of the Compensation Committee of the Company. On October 20, the Investment Commission approved the company to indirectly invest RMB17,000,0000 into CST Rubber (Zhangzhou) Ind. Co., Ltd. via subsidiary MAXXIS International (HK) Ltd. On December 6, the Board of Directors approved a capital increase of US$15,000,000 in Cheng Shin Rubber (Vietnam) Ind. Co., Ltd. via subsidiary MAXXIS Trading Ltd. The company's MAXXIS brand continued to be one of Taiwan's top twenty international brands in 2011, brand value of US$33,500,000. The Company's paid-in capital increased to NT$24,724,756,190.
2012	On March 1, the Board of Directors approved investment in Cheng Shin Tire & Rubber (Chong Qing) Co., Ltd. of US$20,000,000 capital increase through the subsidiary Cheng Shin Tire & Rubber (China) Co., Ltd. Cheng Shin Tire & Rubber (China) Co., Ltd. tire testing plant began to be used in November 2012. The Company's MAXXIS brand continued to be one of Taiwan's top twenty international brands in 2012, brand value of US$331,000,000. The Company paid-in capital increased to NT$28,186,222,060.
2013	On November 26, the Investment Commission approved the Company to indirectly increase capital in CST Rubber (Zhangzhou) Ind. Co., Ltd. of RMB75,000,000 via its subsidiary MAXXIS International (HK) Ltd. The Company's MAXXIS brand continued to be one of Taiwan's top twenty international brands in 2013, brand value of US$ 370 million. The Company was awarded as the 2013 top 50 best listed companies by the Forbes Magazine. The Company's paid-in capital increased to NT$32,414,155,360.
2014	On May 13, the Board approved the acquisition of the right to use lands in Indonesia's Greenland International Industrial Center. On November 11, the Board approved the increase of investment in India. The Company's MAXXIS brand continued to be one of Taiwan's top twenty international brands in 2014, brand value of US$367,000,000.
2015	The Company's MAXXIS brand continues to be one of Taiwan's top twenty international brands in 2015, with brand value of US$348,000,000.
2016	The Company's MAXXIS brand continues to be one of Taiwan's top twenty international brands in 2016, with brand value of US$317,000,000.

III. Corporate Governance Report

3.1 Organization

(1) Organization



(2) Major Department Functions

Department	Functions
Management Department	Manage all kinds of procurement (excluding Materials) and general affairs.
Human Resource Department	Personnel compensation, welfare, education and training.
Production Planning Department	Manage manufacturing and sales planning, warehousing and transportation of raw materials and products.
Financial Department	Manage operating capitals, accounting policy and accounting affairs.
IT Service Department	Implement the company computerization, control computer data and computer software security.
Audit Office	Audit, evaluate the execution of departmental operating function and internal control policy.
General Manager's Office	Plan the middle and long term developing strategy of the Company and the procurement of raw materials.
Domestic Sales Division	Determine Domestic Sales strategy and goal.
Domestic Sales Department	Execute the planning and the sales policy of all kinds of tires and rubber made products to the domestic market.
Customer Service Center	Manage and resolve products returned by the customers.
International Sales Department	Execute and manage Global sales policy (excluding Taiwan) and promotion planning.
R&D 1st Department	Research and develop rubber materials and formula, verify designed materials and formula.
R&D 2nd Department	Research and develop tire structure and pattern, verify designed structure and pattern.
Quality Assurance Division	Plan, implement and manage quality assurance policy, quality enhancement and standardization of the whole Company.
Quality Management Department	Plan, execute and manage the standardization activity of intermediate process and the inspection of the manufacturing process.
Quality System Department	Establish, maintain and manage the quality management system.
Quality Audit Department	Respond, execute and manage internal and external audit plan of the quality management system.
Construction Department	Develop designed graphics of mechanical devices, manufacture and improve mechanical devices and install security.

Manufacturing Division	Execute or examine the operation and research plan of all manufacturing departments and plants.
Safety & Health Department	Plan and supervise labor safety and health issues and the risk management of environmental protection of all departments.
Manufacturing 2nd Department	Manufacture tires for motorcycles, industrial vehicles, agricultural mechanical vehicles, passenger cars and trucks.
Manufacturing 3rd Department	Manufacture tires for passenger cars, industrial vehicles, agricultural mechanical vehicles, tanks and trucks.
2nd Plant	Manufacture rubber made products for industrial use.
3rd Plant	Manufacture various kinds of tubes.
Zhong Zhuang Plant	Manufacture bicycle tires.
Xi Zhou Plant	Produce rubber compounds and manufacture tires for motorcycles, agricultural-industrial used vehicles and dune buggies.
Dou Liu 1st Plant	Produce rubber compounds and manufacture the rubber-coated of the bead and belt steel cord.
Dou Liu 2nd Plant	Manufacture radial tires.

3.2 Directors, Supervisors and Management Team

(1) Directors and Supervisors

April 17, 2017

Title & Name	Gender	Nationality/ Country of Origin	Date Elected	Term (Years)	Date First Elected	Shareholding when Elected		Current Shareholding		Spouse & Minor Shareholding		Shareholding by Nominee Arrangement		Experience (Education)	Other Position	Executives, Directors or Supervisors who are spouses or within two degrees of kinship		
						Shares	%	Shares	%	Shares	%	Shares	%			Title	Name	Relation
Chairman Lo, Tsai-Jen	Male	Republic of China	2014.06.17	3	2014.06.17	429,225,502	13.24%	283,225,502	8.73%	27,996,793	0.86%	0	0%	Graduated from the Department of Marketing and Materials Management, Newark College of Engineering	Chairman	Director Supervisor	Chen, Yun-Hwa Chen, Shiu-Hsiung Chiu-Li-ching	Within two degrees of kinship, within two degrees of kinship, spouse
Director Chen, Yun-Hwa	Male	Republic of China	2014.06.17	3	1993.04.17	40,570,531	1.25%	40,570,531	1.25%	162,492,443	5.01%	13,391,000	0.41%	Honorary Doctor of Management, National Yunlin University of Science and Technology	NO	Director Supervisor	Chen, Shiu-Hsiung Lo, Tsai-Jen Chiu-Li-ching	Within two degrees of kinship, within two degrees of kinship, within two degrees of kinship
Director Chen, Shiu-Hsiung	Male	Republic of China	2014.06.17	3	1996.04.23	57,819,456	1.78%	57,819,456	1.78%	66,495,516	2.05%	31,280,000	0.96%	Graduated from Department of Chemistry, Shizuoka University	General manager	Director Supervisor	Chen, Yun-Hwa Lo, Tsai-Jen Chiu-Li-ching Chen, Han-chi	Within two degrees of kinship, within two degrees of kinship, within two degrees of kinship, within one degrees of kinship
Director Horning Yih Investment Corporation,	-	Changhua County, Republic of China	2014.06.17	3	2008.06.13	11,131,695	0.34%	11,131,695	0.34%	0	0%	0	0%	NA	NA	NA	NA	NA
represented by Lee, Chin-Chang	Male	Republic of China	2014.06.17	3	2008.06.13	24,874	0%	24,874	0%	725	0%	0	0%	Department of Mechanical Engineering, Nanya Institute of Technology	Vice President	NO	NO	NO

Director Horning Yih Investment Corporation, represented by Wu, Hsuan-Miao	-	Changhua County, Republic of China	2014.06.17	3	2008.06.13	11,131,695	0.34%	11,131,695	0.34%	0	0%	0	0%	NA	NA	NA	NA	NA
	Male	Republic of China	2014.06.17	3	2008.06.13	127,885	0%	127,885	0%	30,897	0%	0	0%	Graduated from Feng Chia University Department of Public Finance	Vice President	NO	NO	NO
Director Horning Yih Investment Corporation, represented by Lin, Hung-Yu	-	Changhua County, Republic of China	2014.06.17	3	2008.06.13	11,131,695	0.34%	11,131,695	0.34%	0	0%	0	0%	NA	NA	NA	NA	NA
	Male	Republic of China	2014.06.17	3	2008.06.13	433	0%	433	0%	7,553	0%	0	0%	Graduated from Department of Chemical Engineering, National Taipei Institute of Technology	Vice President	NO	NO	NO
Director Horning Yih Investment Corporation, NA (Note 1)	-	Changhua County, Republic of China	2014.06.17	3	2008.06.13	11,131,695	0.34%	11,131,695	0.34%	0	0%	0	0%	NA	NA	NA	NA	NA
	Male	NA	2014.06.17	3	2008.06.13	0	0%	0	0%	0	0%	0	0%	NA	NA	NO	NO	NO
Independent Director Hsu, Ente	Male	Republic of China	2014.06.17	3	2014.06.17	0	0%	0	0%	0	0%	0	0%	PhD in Accounting, National Taiwan University	Independent Director and Member of Remuneration Committee of Shuz Tung Machinery Industrial Co., Ltd and Mobiletron Co.,Ltd.; Member of Remuneration Committee of Li-Cheng Enterprise Co., Ltd	NO	NO	NO

Independent Director Too, Jui-Rze	Male	Republic of China	2014.06.17	3	2014.06.17	0	0%	0	0%	0	0%	0	0%	PhD in Chemistry, Kansas State University	NO	NO	NO	NO
Supervisor Tseng, Sung-Chu	Male	Republic of China	2014.06.17	3	2002.05.29	17,088,580	0.53%	21,688,580	0.66%	0	0%	0	0%	Executives Program, Department of Business Administration, National Chengchi University	Chairman of Merida Industry Co., Ltd; Chairman of Taiwan Bicycle Association	NO	NO	NO
Supervisor Chiu, Li-Ching	Female	Republic of China	2014.06.17	3	2014.06.17	33,296,793	1.03%	27,996,793	0.86%	283,225,502	8.73%	32,672,000	1.01%	Graduated from Department of Economics, National Taiwan University	NO	Director	Lo, Tsai-Jen Chen, Yun-Hwa Chen, Shiu-Hsiung	Spouse; within two degrees of kinship; within two degrees of kinship
Supervisor Cheng, Han-Chi	Female	Republic of China	2014.06.17	3	2014.06.17	12,874,867	0.40%	6,534,867	0.20%	88,921	0.00%	0	0%	Master of Accounting Science, University of Illinois at Urbana-Champaign	NO	Director	Chen, Shiu-Hsiung	within one degrees of kinship

Note: the Legal Representative Tseng, Yung-Yao has resigned on September 7, 2015. The newly Representative has not been appointed and position remains vacant.

Major shareholders of the corporate shareholders

Name of Corporate Shareholders	Major Shareholders
Horning Yih Investment Corporation	Luo, Ming-Han (20%); Lo, Tsai-Jen (15%); Lo, Min-Ling (12.5%); Lo, Ming-I (12.5%); Luo, Jye (10%); Chen, Yun-Hwa (10%); Chen, Shiu-Hsiung (10%)

(2) Professional qualifications and independence analysis of directors and supervisors

Criteria / Name	Meet One of the Following Professional Qualification Requirements, Together with at Least Five Years Work Experience			Independence Criteria(Note)										Number of Other Public Companies in Which the Individual is Concurrently Serving as an Independent Director
	An Instructor or Higher Position in a Department of Commerce, Law, Finance, Accounting, or Other Academic Department Related to the Business Needs of the Company in a Public or Private Junior College, College or University	A Judge, Public Prosecutor, Attorney, Certified Public Accountant, or Other Professional or Technical Specialist Who has Passed a National Examination and been Awarded a Certificate in a Profession Necessary for the Business of the Company	Have Work Experience in the Areas of Commerce, Law, Finance, or Accounting, or Otherwise Necessary for the Business of the Company	1	2	3	4	5	6	7	8	9	10	
Lo, Tsai-Jen	N	N	Y					V		V		V	V	N/A
Chen, Shiu-Hsiung	N	N	Y					V		V		V	V	N/A
Chen,Yun-Hwa	N	N	Y	V				V		V		V	V	N/A
Lee, Chin-Chang (Representative of Horning Yih Investment Corporation)	N	N	Y			V	V	V		V	V	V		N/A
WU, Hsuan-Miao (Representative of Horning Yih Investment Corporation)	N	N	Y			V	V	V		V	V	V		N/A
Lin, Hung-Yu (Representative of Horning Yih Investment Corporation)	N	N	Y			V	V	V	V	V	V	V		N/A
Representative of Horning Yih Investment Corporation (Note 3)	N	N	Y			V	V	V	V	V	V	V		N/A

Hsu, En-Te	Y	Y	Y	V	V	V	V	V	V	V	V	V	V	3
Too, Jui-Rze	Y	Y	N	V	V	V	V	V	V	V	V	V	V	0
Tseng, Sung-Chu	N	N	Y	V		V	V	V		V	V	V	V	N/A
Chiu, Li-Ching	N	N	Y	V				V	V	V		V	V	N/A
Chen, Han-Chi	N	N	Y	V		V		V	V	V		V	V	N/A

Note 1: Please tick the corresponding boxes that apply to the directors or supervisors during the two years prior to being elected or during the term of office.

(1) Not an employee of the Company or any of its affiliates.

(2) Not a director or supervisor of the Company's affiliates. Not applicable in cases where the person is an independent director of the Company's parent company or any subsidiary appointed in accordance with the Regulations Governing the Appointment of Independent Directors and Compliance Matters for Public Companies or other local laws and regulations.

(3) Not a natural-person shareholder who holds shares, together with those held by the person’s spouse, minor children, or held by the person under others’ names, in an aggregate amount of 1% or more of the total number of outstanding shares of the Company or ranking in the top 10 in holdings.

(4) Not a spouse, relative within the second degree of kinship, or lineal relative within the third degree of kinship, of any of the persons in the preceding three subparagraphs.

(5) Not a director, supervisor, or employee of a corporate shareholder who directly holds 5% or more of the total number of outstanding shares of the Company or who holds shares ranking in the top five holdings.

(6) Not a director, supervisor, officer, or shareholder holding 5% or more of the shares, of a specified company or institution which has a financial or business relationship with the Company.

(7) Not a professional individual who is an owner, partner, director, supervisor, or officer of a sole proprietorship, partnership, company, or institution that provides commercial, legal, financial, accounting services or consultation to the Company or to any affiliate of the Company, or a spouse thereof. These restrictions do not apply to any member of the remuneration committee who exercises powers pursuant to Article 7 of the *Regulations Governing the Establishment and Exercise of Powers of Remuneration Committees of Companies whose Stock is Listed on the TWSE or Traded on the TPEx*.

(8) Not having a marital relationship, or a relative within the second degree of kinship to any other director of the Company.

(9) Not been a person of any conditions defined in Article 30 of the *Company Act*.

(10) Not a governmental, juridical person or its representative as defined in Article 27 of the *Company Act*.

Note 2: if the Company's independent director or independent supervisor is concurrently serving as an independent director or independent supervisor of another company, they shall explain their positions in the other companies.

Note 3: the Legal Representative Tseng, Yung-Yao has resigned on September 7, 2015. The newly Legal Representative has not been appointed and position remains vacant.

(3) Information of General Manager, Deputy General Manager, Senior Manager and Officer of All Departments and Branch Offices

April 17, 2017

Title	Name	Gender	Nationality	Date Effective	Shareholding		Spouse & Minor Shareholding		Shareholding by Nominee Arrangement		Major Experience (Education)	Other Position	Managers who are Spouses or Within Two Degrees of Kinship			Employee Stock Options
					Shares	%	Shares	%	Shares	%			Title	Name	Relation	
General Manager (Taiwan)	Lo, Tsai-Jen	Male	ROC	2016/11/09	283,225,502	8.73%	27,996,793	0.86%	0	0%	Department of Marketing and Materials Management, Newark College of Engineering	N	Chairman President	Lo, Tsai-Jen Chen, Shiu-Hsiung	Same person Second-degree relative of spouse	N
General Manager (Xiamen)	Chen, Shiu-Hsiung	Male	ROC	1997/04/01	57,819,456	1.78%	66,495,516	2.05%	31,280,000	0.96%	College of Chemical Industry, Shizuoka University	N	Chairman President	Lo, Tsai-Jen Lo, Tsai-Jen	Second-degree relative of spouse Second-degree relative of spouse	N
Deputy General Manager	Wu, Hsuan-Miao	Male	ROC	2005/04/01	127,885	0%	30,897	0%	0	0%	Department of Public Finance, Feng Chia University	N	N	N	N	N
Deputy General Manager	Lin, Hung-Yu	Male	ROC	2007/02/01	433	0%	7,553	0%	0	0%	Department of Chemical Engineering, National Taipei Junior College	N	N	N	N	N
Deputy General Manager	Lee, Chin-Chang	Male	ROC	2007/02/01	24,874	0%	725	0%	0	0%	Department of Mechanical Engineering, Nanya Junior College	N	N	N	N	N
Deputy General Manager	Weng, Ming-Chun	Male	ROC	2007/02/01	2,095	0%	0	0%	0	0%	Department of Business Administration, Feng Chia University	N	N	N	N	N
Deputy General Manager	Huang, Chung-Jen	Male	ROC	2007/02/01	10,882	0%	165	0%	0	0%	Department of Industrial Engineering, Tunghai University	N	N	N	N	N

Deputy General Manager	Peng Wen-Hsing	Male	ROC	2007/02/01	4,326	0%	0	0%	0	0%	Department of Mechanical Engineering, Lunghwa Junior College	N	N	N	N	N
Deputy General Manager	Huang Chieh-Hsiang	Male	ROC	2008/07/01	233,322	0%	0	0%	0	0%	Deputy General Manager of Cheng Shin Rubber (Xiamen) Ind., Ltd.	N	N	N	N	N
Deputy General Manager	Hsu, Chih-Ming	Male	ROC	2012/04/01	844	0%	4,665,356	0.14%	0	0%	PhD, Department of Electrical Engineering, National Tsing Hua University	N	President	Chen, Shiu-Hsiung	First-degree relative of spouse	N
Deputy General Manager	Lin, Yu-Yu	Male	ROC	2012/08/01	2,242	0%	2,793	0%	0	0%	Department of Industrial Engineering, National Taipei Junior College	N	N	N	N	N
Deputy General Manager	Liao, Cheng-Yao	Male	ROC	2013/08/01	400	0%	0	0%	0	0%	Department of English Studies, National Taichung Business College	N	N	N	N	N
Deputy General Manager	Lee, Hung-Ko	Male	ROC	2016/07/01	0	0%	0	0%	0	0%	Department of Mechanical Engineering, National Chin Yi Junior College	N	N	N	N	N
Deputy General Manager	Liu, Chao-Sheng	Male	ROC	2016/07/01	4,326	0%	0	0%	0	0%	Master, Department of Business Management, National Yunlin University of Science & Technology	N	N	N	N	N
Deputy General Manager	Lai, Kuo-Ti	Male	ROC	2016/07/01	2,438	0%	0	0%	0	0%	Department of Accounting Statistics, Tamsui Institute of Business Administration	N	N	N	N	N
Senior Manager	Lin, Chen-Chieh	Male	ROC	1994/04/01	4,997	0%	22,987	0%	0	0%	Department of Industrial Engineering, Chun Yuan Christian	N	N	N	N	N

											University					
Senior Manager	Wei, Chi-Chiang	Male	ROC	1998/09/01	0	0%	0	0%	0	0%	Department of Chinese Literature, National Chengchi University	N	N	N	N	N
Senior Manager	Ho, Chin-Fang	Male	ROC	2008/07/01	0	0%	0	0%	0	0%	Department of Chemical Engineering Technicality, National Taipei Institute of Technology	N	N	N	N	N
Senior Manager	Lin, Chin-Chuan	Male	ROC	2010/05/01	0	0%	0	0%	0	0%	Master, Department of Mechanical Engineering, National Chiao Tung University	N	N	N	N	N
Senior Manager	Chang, Chuan-Shun	Male	ROC	2010/05/01	0	0%	197	0%	0	0%	Department of Industrial Management, National Chin Yi Junior College	N	N	N	N	N
Senior Manager	Mao, Yu-Fu	Male	ROC	2010/05/01	0	0%	0	0%	0	0%	Department of International Business, Fu Jen Catholic University	N	N	N	N	N
Senior Manager	Huang, Kuo-Tsai	Male	ROC	2010/04/01	60,195	0%	13,243	0%	0	0%	Department of Chemistry, National Chung Hsing University	N	N	N	N	N
Senior Manager	Huang, Yang-Hsun	Male	ROC	2010/04/01	0	0%	0	0%	0	0%	Master, Department of Political Science, National Taiwan University	N	N	N	N	N
Senior Manager	Chen, Ying-Kuang	Male	ROC	2010/09/13	27,884	0%	4,604	0%	0	0%	Department of Chemical Engineering, National Taipei Junior College	N	N	N	N	N
Senior Manager	Chang, Ghi-Jung	Male	ROC	2012/08/01	0	0%	0	0%	0	0%	Department of Mechanical Engineering, Feng Chia University	N	N	N	N	N
Senior Manager	Chang	Male	ROC	2012/08/01	0	0%	1,000	0%	0	0%	Department of Mechanical	N	N	N	N	N

	Chin-Lu										Engineering, Oriental Industrial College					
Senior Manager	Liu, Ching-Chung	Male	ROC	2012/08/01	0	0%	396	0%	0	0%	Department of Industrial Engineering, Feng Chia University	N	N	N	N	N
Senior Manager	Lo, Chen-Jung	Male	ROC	2012/08/01	189	0%	0	0%	0	0%	Department of Electrical Engineering, Chienkuo Junior College	N	N	N	N	N
Senior Manager	Lo, Yung-Li	Male	ROC	2012/08/01	0	0%	0	0%	0	0%	Department of Public Finance, Feng Chia University	N	N	N	N	N
Senior Manager	Chen, Shu-Yu	Male	ROC	2013/08/01	0	0%	0	0%	0	0%	Master, Food & Chemical Engineering, Da Yeh University	N	N	N	N	N
Senior Manager	Chiang, Kui-Yung	Male	ROC	2016/07/01	0	0%	0	0%	0	0%	Department of Mechanical Engineering, National United University	N	N	N	N	N
Senior Manager	Chang, Chin-Ming	Male	ROC	2016/07/01	0	0%	0	0%	0	0%	Department of Industrial Engineering, Nan Kai University of Technology	N	N	N	N	N
Senior Manager	Hu, Ming-Te	Male	ROC	2016/07/01	10,000	0%	4,320	0%	0	0%	Diploma in Electrical Engineering, Zhen Del High School	N	N	N	N	N
Chief Accounting Officer	Lo, Yung-Li	Male	ROC	2010/06/08	0	0%	0	0%	0	0%	Department of Public Finance, Feng Chia University	N	N	N	N	N
Chief Financial Officer	Lo, Yung-Li	Male	ROC	2010/07/19	0	0%	0	0%	0	0%	Department of Public Finance, Feng Chia University	N	N	N	N	N

Note: General Manager Chen, Yun-Hwa retired on November 1, 2016; Senior Manager Lin, Cheng-Hua retired on July 4, 2016; Senior Manager Chiang, Shi-Pin retired on July 31, 2016.

(4) Remuneration of Directors (Including Independent Directors), Supervisors, General Managers, and Deputy General Mangers

1) Remuneration of Directors (Including Independent Directors)

December 31, 2016

Unit: in NT$1000

Title	Name	Remuneration								Total Remuneration (A+B+C+D) to Net Income After Tax Ratio (%)		Relevant Remuneration Received by Directors Who are Also Employees												Total Compensation (A+B+C+D+E+F+G) to Net Income After Tax Ratio (%)		Compensation Paid to Directors from an Invested Company Other than the Company's Subsidiary
		Base Compensation (A)		Pension (B)		Bonus to Directors (C)		Business Expense Allowances (D)				Salary, Bonuses, and Allowances (E)		Pension (F)		Profit Sharing- Employee Bonus (G)				Exercisable Employee Stock Options (H)		New Restricted Employee Shares (I)				
		The company	All companies in the financial statements	The company	Companies in the financial statements	The company	Companies in the financial statements	The company	Companies in the financial statements	The company	Companies in the financial statements	The company	Companies in the financial statements	The company	Companies in the financial statements	The company		Companies in the financial statements		The company	Companies in the financial statements	The company	Companies in the financial statements	The company	Companies in the financial statements	
																Cash	Stock	Cash	Stock							
Chairman	Lo, Tsai-Jen	2,160	2,160	0	0	225,036	225,036	144	144	1.72%	1.70%	44,710	44,710	52,344	52,344	445	0	445	0	0	0	0	0	2.45%	2.43%	0
Director	Chen, Yun-Hwa																									
Director	Chen, Shiu-Hsiung																									
Director	Horning Yih Investment Corporation (Note 2)																									
Director	Horning Yih Investment Corporation, represented by Lee, Chin-Chang																									
Director	Horning Yih Investment Corporation, represented by Wu, Hsuan-Miao																									
Director	Horning Yih Investment Corporation, represented by Lin, Hung-Yu																									

Director	Horning Yih Investment Corporation, represented by Tseng, Yung-Yao																									
Independent Director	Hsu, En-Te																									
Independent Director	Too, Jui-Rze																									

* Except as otherwise disclosed herein, the directors of the Company have not received other remunerations for providing services (in a non-employee capacity, such as an advisor) to any of the companies in the consolidated financial statements within the current fiscal year.

Table of Range of Remuneration

Range of Remuneration	Name of Directors			
	Total of (A+B+C+D)		Total of (A+B+C+D+E+F+G)	
	The company	Companies in the consolidated financial statements	The company	Companies in the consolidated financial statements
Under NT$ 2,000,000	Hsu, Ente; Too, Jui-Rze	Hsu, Ente; Too, Jui-Rze	Hsu, Ente; Too, Jui-Rze	Hsu, Ente; Too, Jui-Rze
NT$2,000,000 (inclusive) ~ NT$5,000,000	-	-	-	-
NT$5,000,000 (inclusive) ~ NT$10,000,000	-	-	-	-
NT$10,000,000 (inclusive) ~ NT$15,000,000	-	-	-	-
NT$15,000,000 (inclusive) ~ NT$30,000,000	-	-	-	-
NT$30,000,000 (inclusive) ~ NT$50,000,000	-	-	-	-
NT$50,000,000 ~ NT$100,000,000	Lo, Tsai-Jen; Chen,Yun-Hwa; Chen, Shiu-Hsiung; Horning Yih Investment Corporation	Lo, Tsai-Jen; Chen,Yun-Hwa; Chen, Shiu-Hsiung; Horning Yih Investment Corporation	Lo, Tsai-Jen; Chen,Yun-Hwa; Chen, Shiu-Hsiung; Horning Yih Investment Corporation	Lo, Tsai-Jen; Chen,Yun-Hwa; Chen, Shiu-Hsiung; Horning Yih Investment Corporation
Over NT$100,000,000	-	-	-	-
Total	6	6	6	6

*The remuneration contents this table discloses are different from the concept of income specified in the *Income Tax Act*, thus the purpose of this table is for information disclosure only, rather than taxation.

2) Remuneration of Supervisors

December 31, 2016

Unit: in NT$1000

Title	Name	Remuneration						Total amount of A, B and C to after-tax net income ratio (%)		Compensation Paid to Supervisors from an Invested Company Other than the Company's Subsidiary
		Base Compensation (A)		Bonus (B)		Business expense allowances (C)				
		The company	Companies in the financial statements (Note 5)	The company	Companies in the financial statements (Note 5)	The company	Companies in the financial statements (Note 5)	The company	Companies in the financial statements (Note 5)	
Supervisor	Tseng, Sung-Chu	0	0	39,712	39,712	54	54	0.30%	0.30%	0
Supervisor	Chiu, Li-Ching									
Supervisor	Chen, Han-Chi									

Table of Range of Remuneration

Range of Remuneration	Name of Supervisors	
	Total of (A+B+C)	
	The company	Companies in the consolidated financial statements
Under NT$ 2,000,000	-	-
NT$2,000,000 (inclusive) ~ NT$5,000,000	-	-
NT$5,000,000 (inclusive) ~ NT$10,000,000	-	-
NT$10,000,000 (inclusive) ~ NT$15,000,000	Chen, Han-Chi; Chiu, Li-Ching; Tseng, Sung-Chu	Chiu, Li-Ching; Chen, Han-Chi; Tseng, Sung-Chu
NT$15,000,000 (inclusive) ~ NT$30,000,000	-	-
NT$30,000,000 (inclusive) ~ NT$50,000,000	-	-
NT$50,000,000 (inclusive) ~ NT$100,000,000	-	-
Over NT$100,000,000	-	-
Total	3	3

* The remuneration contents disclosed in this table are different from the concept of income specified in the *Income Tax Act*, thus the purpose of this table is for information disclosure only, rather than taxation.

3) Remuneration of the General Manager and Deputy General Manager

December 31, 2016

Unit: in NT$1000

<table>
<tr><th rowspan="3">Title</th><th rowspan="3">Name</th><th colspan="2">Salary(A)</th><th colspan="2">Pension (B)</th><th colspan="2">Bonuses and Allowances (C)</th><th colspan="4">Profit Sharing- Employee Bonus (D)</th><th colspan="2">Total amount of A, B, C and D to after-tax net income ratio (%)</th><th colspan="2">Exercisable Employee Stock Options</th><th colspan="2">New Restricted Employee Shares</th><th rowspan="3">Compensation from any Invested Company Other Than the Company’s Subsidiary</th></tr>
<tr><th rowspan="2">The company</th><th rowspan="2">Companies in the financial statements</th><th rowspan="2">The company</th><th rowspan="2">Companies in the financial statements</th><th rowspan="2">The company</th><th rowspan="2">Companies in the financial statements</th><th colspan="2">The company</th><th colspan="2">Companies in the financial statements</th><th rowspan="2">The company</th><th rowspan="2">Companies in the financial statements</th><th rowspan="2">The company</th><th rowspan="2">Companies in the financial statements</th><th rowspan="2">The company</th><th rowspan="2">Companies in the financial statements</th></tr>
<tr><th>Cash</th><th>Stock</th><th>Cash</th><th>Stock</th></tr>
<tr><td>General manager (Taiwan)</td><td>Chen, Yun-Hwa</td><td rowspan="10">35,632</td><td rowspan="10">35,632</td><td rowspan="10">52,344</td><td rowspan="10">52,344</td><td rowspan="10">51,327</td><td rowspan="10">51,327</td><td rowspan="10">1,334</td><td rowspan="10">0</td><td rowspan="10">1,334</td><td rowspan="10">0</td><td rowspan="10">1.06%</td><td rowspan="10">1.05%</td><td rowspan="10">0</td><td rowspan="10">0</td><td rowspan="10">0</td><td rowspan="10">0</td><td rowspan="10">0</td></tr>
<tr><td>General manager (Xiamen)</td><td>Chen, Shiu-Hsiung</td></tr>
<tr><td>Deputy General Manager</td><td>Wu, Hsuan-Miao</td></tr>
<tr><td>Deputy General Manager</td><td>Lin, Hung-Yu</td></tr>
<tr><td>Deputy General Manager</td><td>Weng, Ming-Chun</td></tr>
<tr><td>Deputy General Manager</td><td>Huang, Chung-Jen</td></tr>
<tr><td>Deputy General Manager</td><td>Peng Wen-Hsing</td></tr>
<tr><td>Deputy General Manager</td><td>Lee, Chin-Chang</td></tr>
<tr><td>Deputy General Manager</td><td>Huang, Chieh-Hsiang</td></tr>
<tr><td>Deputy General Manager</td><td>Hsu, Chih-Ming</td></tr>
</table>

Deputy General Manager	Lin, Yu-Yu																	
Deputy General Manager	Liao, Cheng-Yao																	
Deputy General Manager	Lee, Hung-Ko																	
Deputy General Manager	Liu, Chao-Sheng																	
Deputy General Manager	Lai, Kuo-Ti																	

Note: General Manager Chen, Yun-Hwa retired on November 1, 2016

Table of Range of Remuneration

Range of Remuneration	Name of General Manager and Deputy General Manager	
	The company	Companies in the consolidated financial statements
Under NT$ 2,000,000	-	-
NT$2,000,000 (inclusive) ~ NT$5,000,000	Wu, Hsuan-Miao; Lin, Hung-Yu; Weng, Ming-Chun; Huang, Chung-Jen; Hsu, Chih-Ming, Peng Wen-Hsing; Lee Chin-Chang; Huang, Chieh-Hsiang; Lin, Yu-Yu; Liao, Cheng-Yao; Lee, Hung-Ko; Liu, Chao-Sheng ; Lai, Kuo-Ti	Wu, Hsuan-Miao; Lin, Hung-Yu; Weng, Ming-Chun; Huang, Chung-Jen; Hsu, Chih-Ming, Peng Wen-Hsing; Lee Chin-Chang; Huang, Chieh-Hsiang; Lin, Yu-Yu; Liao, Cheng-Yao; Lee, Hung-Ko; Liu, Chao-Sheng; Lai, Kuo-Ti
NT$5,000,000 (inclusive) ~ NT$10,000,000	-	-
NT$10,000,000 (inclusive) ~ NT$15,000,000	Chen, Shiu-Hsiung	Chen, Shiu-Hsiung
NT$15,000,000 (inclusive) ~ NT$30,000,000	-	-
NT$30,000,00 (inclusive) ~ NT$50,000,000	-	-
NT$50,000,00 (inclusive) ~ NT$100,000,000	Chen, Yun-Hwa	Chen, Yun-Hwa
NT$100,000,000 or more	-	-
Total	15	15

* The remuneration contents disclosed in this table are different from the concept of income specified in the *Income Tax Act*, thus the purpose of this table is for information disclosure only, rather than taxation.

(5) Officers Receiving Employee Bonus Distribution

December 31, 2016

Unit: in NT$1000

	Title	Name	Employee Bonus - in Stock	Employee Bonus - in Cash	Total	Total Amount to After-Tax Net Income Ratio (%)
	General manager	Chen, Shiu-Hsiung	0	2,845	2,845	0.021%
	Deputy General Manager	Wu, Hsuan-Miao				
	Deputy General Manager	Lin, Hung-Yu				
	Deputy General Manager	Weng, Ming-Chun				
	Deputy General Manager	Huang, Chung-Jen				
	Deputy General Manager	Peng, Wen-Hsing				
	Deputy General Manager	Tseng, Yung-Yao				
	Deputy General Manager	Lee, Chin-Chang				
	Deputy General Manager	Huang Chieh-Hsiang				
	Deputy General Manager	Hsu, Chih-Ming				
	Deputy General Manager	Lin, Yu-Yu				
	Deputy General Manager	Liao, Cheng-Yao				
	Deputy General Manager	Lee, Hung-Ko				
	Deputy General Manager	Liu, Chao-Sheng				
	Deputy General Manager	Lai, Kuo-Ti				
	Senior Manager	Lin, Chen-Chieh				
	Senior Manager	Wei, Chi-Chiang				
	Senior Manager	Ho, Chin-Fang				
	Senior Manager	Lin, Chin-Chuan				
	Senior Manager	Chang, Chuan-Shun				
	Senior Manager	Mao, Yu-Fu				
	Senior Manager	Huang, Kuo-Tsai				
	Senior Manager	Huang, Yang-Hsun				
	Senior Manager	Chen, Ying-Kuang				
	Senior Manager	Chang, Ghi-Jung				
	Senior Manager	Chang Chin-Lu				
	Senior Manager	Liu, Ching-Chung				
	Senior Manager	Lo, Chen-Jung				
	Senior Manager	Lo, Yung-Li				
	Senior Manager	Chen, Shu-Yu				
	Senior Manager	Chiang, Kui-Yung				
	Senior Manager	Chang, Chin-Ming				
	Senior Manager	Hu, Ming-Te				
	Chief Financial Officer	Lo, Yung-Li				

Note 1: Senior Manager, Lin, Zheng-Hua retired on July 4, 2016; Senior Manager Chiang, Shi-Pin retired on July 31, 2016.

(6) Remuneration paid by the Company and by all companies included in the consolidated financial statements to Directors, Supervisors, General Manager and Deputy General Manager in the Most Recent Two Fiscal Years to after-tax net profit ratio; and Remuneration Policy, Standards, Portfolios For The Payment of The Remuneration, and Procedure for Determining Remuneration, and their Connection with Business Performance and Future Risks.

1) Total remuneration of directors, supervisors, general managers and deputy general managers of the Company to after-tax net income ratio.

Unit: in NT$1000; %

Year/Item	Net income	Total remuneration of Directors, Supervisors, General Managers and Deputy General Managers to net profit after tax ratio
2016 the Company	13,250,903	2.98%
2016 consolidated financial statements	13,346,481	2.95%
2015 the Company	12,776,655	2.62%
2015 consolidated financial statements	12,839,214	2.61%

2) The policies, standards and portfolios for the payment of remuneration, the procedures for determining remuneration, and their connection with business performance and future risks.

The compensation policy and payment were determined by the Remuneration Committee of the Company in accordance with the market average of the position, and responsible scope of individual position, as well as personal contribution to the Company's operation target. Besides taking overall operating performance of the Company into consideration, personal achievements and contributions made to business operations are also evaluated during the remuneration determining process, and then the reasonable payment was approved by the board of directors.

3.3 Implementation of Corporate Governance

(1) Board of Directors

1) A total of 6 (A) meetings of the board of directors were held in 2016 (as of December 31, 2016). The attendance of directors and supervisors were as follows:

Title	Name (Note 1)	Attendance in Person (B)	By Proxy	Attendance Rate (%)【B/A】(Note 2)	Remarks
Chairman	Lo, Tsai-Jen	6	0	100%	
Director	Chen, Shiu-Hsiung	6	0	100%	
Director	Chen,Yun-Hwa	5	1	83%	
Director	Horning Yih Investment Corporation, represented by Lee, Chin-Chang	4	2	67%	
Director	Horning Yih Investment Corporation, represented by Wu, Hsuan-Miao	6	0	100%	
Director	Horning Yih Investment Corporation, represented by Lin, Hung-Yu	6	0	100%	
Independent director	Hsu, Ente	5	1	83%	
Independent director	Too, Jui-Rze	6	0	100%	
Supervisor	Tseng, Sung-Chu	6	0	100%	
Supervisor	Chiu, Li-Ching	6	0	100%	
Supervisor	Chen, Han-Chi	6	0	100%	

Other mentionable items:

1. If any of the following events occurred, the dates of the meetings, sessions, summary of proposals, opinions of all the independent directors and the company's responses should be specified:
   (1) Circumstances referred to in Article 14-3 of the Securities and Exchange Act: None.
   (2) Except as otherwise disclosed above, any other resolutions of the board of directors' meetings objected to or subject to qualified opinion by any of the independent directors and recorded or declared in writing: None.
2. If there are directors' abstinence of motions due to conflict of interest, the directors' names, contents of motion, causes for abstinence of voting should be specified: None
3. Measures taken to strengthen the functionality of the Board in the current and the latest year (e.g. establishing the Audit Committee, enhancing information transparency), and implementation status:
   (1) The Company holds board of directors meetings on a regular basis, and specifies the supervisors' attendance.
   (2) The Company discloses the information on the Market Observation Post System (MOPS)in respect of director's advanced learning and remuneration to directors and supervisors, etc.,.
   (3) The Company posts important matters resolved by the board of directors, attendance, and directors and supervisors' resumes on the official website.

Note 1: The names of a corporate shareholders and its representative shall be disclosed if the director or supervisor is a juristic person.

Note 2:

(1) If a director or supervisor resigns before the last day of the accounting year, the resignation date shall be addressed in the remarks column. The attendance rate (%) is calculated based on the total number of board meetings and director or supervisor's attendance during one's tenure.

(2) If directors or supervisors are re-elected before the last day of the accounting year, the names of current and previous directors or supervisors shall be listed; the information in respect of previous, new or re-appointment, and the date of re-election shall also be addressed in the remarks columns. The attendance rate (%) is calculated based on the total number of board meetings and director or supervisor's attendance during one's tenure.

2) The target of the board of director's functionality

The Company shall diversify Board composition and develop guidelines on diversity based on the operations, nature of business activities and development needs of the Company, including but not limited to the following two aspects:

- Basic qualification and value: gender, age, nationality and culture.
- Professional knowledge and skills: professional backgrounds (such as law, accounting, industry-specific, finance, marketing or technology), professional skills and working experience in the industry.

The directors should generally have the knowledge, skills and self-cultivation required for performing their duties. For achieving the ideal targets of corporate governance, the general abilities that the board of directors should be equipped with are stated below:

- Judging capability for business operation
- Analyzing capability for accounting and finance
- Capability of operation management (including the management capability of any of the subsidiaries)
- Emergency management capability
- Industrial knowledge
- Global market viewpoint
- Leadership
- Capability to make decisions

(2) Attendance of Supervisors at Board Meetings

A total of 6 (A) meetings of the Board of Directors were held in 2016 (as of December 31, 2016). The attendance of supervisors was as follows:

Title	**Name**	**Attendance in Person (B)**	**By Proxy**	**Attendance Rate (%) 【B/A】(Note)**	**Remarks**
Supervisor	Tseng, Sung-Chu	6	0	100%	
Supervisor	Chiu, Li-Ching	6	0	100%	
Supervisor	Chen, Han-Chi	6	0	100%	

Other mentionable items:
1. Composition and responsibilities of supervisors:
(1) Communications between supervisors and the Company's employees and shareholders (e.g. communication channels and methods, etc.): The supervisors actively attended annual shareholder meetings, and interacted well with the shareholders.
(2) Communications between supervisors and the Company's chief internal auditor and CPA (e.g. items, methods and results of the communication in respect of the corporate finance or operations, etc.): The supervisors communicated with the Company’s chief internal auditor and CPA in respect of annual financial report by means of face to face interview, and the communication went well without any objection.
2. If a supervisor expresses an opinion during a meeting of the Board of Directors, the dates of the meetings, sessions, contents of motion, resolutions of the directors’ meetings and the company’s response to the supervisor’s opinion should be specified: None

Note 1: If a supervisor resigns before the last day of the accounting year, the resignation date should be addressed in the remarks column. The attendance rate (%) is calculated based on the total number of board of directors meetings and supervisor’s attendance during one’s tenure.

Note 2: If a supervisor is re-elected before the last day of the accounting year, the names of current and previous supervisors shall be listed. The information of previous, new or re-appointment and re-election dates shall also be addressed in the remarks column. The attendance rates (%) are calculated based on the total number of the board of directors meetings and supervisor’s attendance during one’s tenure.

Note3: Implementation status of audit committee: Not applicable.

(3) Corporate Governance Implementation Status and Deviations from "the Corporate Governance Best-Practice Principles for TWSE/TPEx Listed Companies" and Reasons

Evaluation Item	Implementation Status			Deviations from Corporate Governance Best-Practice Principles for TWSE/TPEx Listed Companies and Reasons
	Yes	No	Abstract Illustration	
1. Does the company establish and disclose the Corporate Governance Best-Practice Principles according to Corporate Governance Best-Practice Principles for TWSE/TPEx Listed Companies?	V		The Company has adopted Corporate Governance Best Practice Principles, which is disclosed on the Market Observation Post System and our corporate website, in accordance with Corporate Governance Best-Practice Principles for TWSE/TPEx Listed Companies.	None
2. Shareholding structure & shareholders' interests (1) Does the company establish an internal operating procedure to deal with shareholders' suggestions, doubts, disputes and litigations, and implement according to the procedure? (2) Does the company possess the list of its major shareholders as well as the ultimate owners of those shares? (3) Does the company establish and execute the risk management and firewall system within its conglomerate structure?	 V V V		(1) For ensuring shareholder's interests, the Company has appointed dedicated staff to deal with the suggestions, inquiries and disputes, etc., of shareholders. (2) The Company provides a shareholder roster via a shareholder service agency, and controls the declaration system of shareholding changes of the insiders. (3) The personnel, assets and financial management responsibilities between the Company and its affiliated companies are	None

Evaluation Item	Implementation Status			Deviations from Corporate Governance Best-Practice Principles for TWSE/TPEx Listed Companies and Reasons
	Yes	No	Abstract Illustration	
			clearly separated; in addition to the supervision procedures for the subsidiaries established and adopted by the Company, the auditors regularly monitor the implementation.	
(4) Does the company establish internal rules against insiders trading by using undisclosed information?	V		(4) The Company has established the internal rules "Management Procedures for Avoiding Insiders Trading" and discloses the rules on its official website.	
3. Composition and Responsibilities of the board of directors				
(1) Does the board develop and implement a diversified policy for the composition of its members?		V	(1) Not yet adopted.	(1) The Company has not yet established such principles, but will specify them upon demand in the future.
(2) Does the company voluntarily establish other functional committees in addition to the Remuneration Committee and the Audit Committee?		V	(2) The Company currently has no other functional committees, but has established the Audit Committee in 2017 pursuant to the applicable laws.	(2) The Company will establish other functional committees depending on future operation situation, scale and demand.
(3) Does the company establish a standard to		V	(3) The Company has a sound audit system and	(3) The company has a sound

Evaluation Item	Implementation Status			Deviations from Corporate Governance Best-Practice Principles for TWSE/TPEx Listed Companies and Reasons
	Yes	No	Abstract Illustration	
measure the performance of the board and implement it annually?			duly implements it. Thus the Company has not established any rules and procedures for evaluating the Board's performance.	audit system and duly implements it. Therefore the Company has not established any rules and procedures for evaluating the Board's performance, but will specify them upon demand in the future.
(4) Does the company regularly evaluate the independence of CPAs?	V		(4) The Company submitted the proposal to the Board of Directors on March 24, 2016, and the evaluation of its CPA's independence was approved with the below items: (a) The CPAs of the Company have not worked in the Company during the two years before providing audit services. (b) The CPAs of the Company do not hold any shares of the Company. (c) The CPAs of the Company and the Company have no loan relationship. (d) The CPAs of the Company and the Company have no joint venture or interests sharing matters. (e) The CPAs of the Company do not have adjunct any jobs in the Company nor receive any fixed salary.	(4) None.

Evaluation Item	Implementation Status			Deviations from Corporate Governance Best-Practice Principles for TWSE/TPEx Listed Companies and Reasons
	Yes	No	Abstract Illustration	
			(f) The CPAs of the Company are not involved in the management of decision making process of the Company. (g) The CPAs of the Company do not have spouses, lineal relatives by blood or by marriage, or collateral relatives by blood within the fourth degree of relationship with the management level of the Company. (h) The CPAs of the Company do not receive any business-related commissions from the Company. (i) The CPAs of the Company sign the contracts in respect of payment amount and method in advance. (j) The CPAs of the Company do not charge on the basis of achieving certain observation or result.	
4. Has the TWSE/TPEx listed company established a department or position which is responsible for the	V		The Company has established a department to deal with the corporate governance related matters,	

Evaluation Item	Implementation Status			Deviations from Corporate Governance Best-Practice Principles for TWSE/TPEx Listed Companies and Reasons
	Yes	No	Abstract Illustration	
corporate governance related matters (including but not limited to providing directors and supervisors with information necessary to carry out their duties, coordinating board meetings and shareholders' meetings pursuant to proper legal procedures, company registration and request for change of registration information and preparing minutes of the board meetings and shareholders' meetings)?			which consists of personnel from the financial department; their duties are as follows: 1. Inquire the opinions of the directors prior to a board meeting for the purpose of planning and drafting the meeting agenda, and notify all the directors and supervisors of the meeting at least 7 days before the meeting and provide them with appropriate information regarding the meeting so that the directors and supervisors may be aware of the proposals. If any of the proposals involve stakeholders that require recusal, a reminder shall be provided to such persons prior to the meeting. 2. Register the date of the annual general meeting of the shareholders each year as required by the law, prepare and file meeting notice, handbook and minutes within the prescribed period, and file for change of information when the Articles of Incorporation is amended or after a re-election of directors and	None None

Evaluation Item	Implementation Status			Deviations from Corporate Governance Best-Practice Principles for TWSE/TPEx Listed Companies and Reasons
	Yes	No	Abstract Illustration	
			supervisors. 3. Promote the quality of corporate governance practices for the sustainable development of the Company by formulating guidelines based on the indicators provided by the corporate governance evaluation system, thereby building a culture of corporate governance.	
5. Has the Company established communication channels for its stakeholders (including but not limited to shareholders, employees, customers and suppliers) or created a stakeholders section on its corporate website? Does the Company promptly respond to the concerns of stakeholders regarding important corporate social responsibility issues?	V		The Company has a “Corporate Social Responsibility” section and a “Stakeholders” section on the official website, and has been publishing and filing the corporate social responsibility report every year since 2015. In addition, we also post the corporate social responsibility activities on our Facebook page (https://www.factbook.com/MaxxisTaiwan/) and YouTube channel (https://www.youtube.com/channel/UCp4E54RFmqpXH0EdCdipNvQ) in order to increase communications and interactions with stakeholders. Moreover, e-mail accounts have been	None

Evaluation Item	Implementation Status			Deviations from Corporate Governance Best-Practice Principles for TWSE/TPEx Listed Companies and Reasons
	Yes	No	Abstract Illustration	
			created on the website for banks that we have regular transactions with, as well as other creditors, employees, customers and suppliers; we maintain open communication channels and respect their lawful rights.	
6. Does the company appoint a professional shareholder service agency to deal with shareholder affairs?	V		The Company designates Yuanta Securities Co., Ltd. to deal with shareholder affairs.	None
7. Information Disclosure (1) Does the company have a corporate website to disclose information of financial standing, business and the status of corporate governance? (2) Does the company have other information disclosure channels (e.g. building an English website, appointing designated people to handle information collection and disclosure, creating a spokesman system, and making the process of investor conferences available on the corporate	V V		(1) The Company has set up an official website, which is maintained and updated by dedicated staff , and discloses information regarding the Company's financials and business for public and shareholders' reference. (2) The Company has established a spokesperson system to ensure information that likely affects shareholders and stakeholders' decisions are properly disclosed in a timely and proper manner. We have also assigned dedicated personnel to maintain our corporate website in	None

Evaluation Item	Implementation Status			Deviations from Corporate Governance Best-Practice Principles for TWSE/TPEx Listed Companies and Reasons
	Yes	No	Abstract Illustration	
website)?			order to provide up-to-date investor information, such as audio and video files of the investor conferences and English versions of the financial statements and annual reports.	

8. Is there any other important information to facilitate a better understanding of the company's corporate governance practices (e.g. including but not limited to employee rights, employee wellbeing, investor relations, supplier relations, rights of stakeholders, directors' and supervisors' training records, the implementation of risk management policies and risk evaluation standards, the implementation of customer policies, and purchasing insurance for directors and supervisors)?

(1) Status of directors and supervisors' training records: Please refer to page 59 of this annual report.

(2) Status of directors and supervisors' attendance in the Board meetings: the Company complies with the relevant regulations and achieves the number of attendees required by the law. Please refer to pages 31-32 of this annual report.

(3) The implementation status of risk management policy and risk evaluation standards: None.

(4) The implementation status of consumer protection or client policy: the Company has an after-sales service department, and dedicated customer service area (website: http://www.cst.com.tw); nationwide distributor network to provide consumer related consultation and appeal channels.

(5) The implementation status of directors' abstinence to interest conflict motions: the directors of the Company uphold the principle of high self-discipline; if the motion which the board of directors listed involves interest conflicts and damage to the Company, the directors shall abstain from voting on the motion.

(6) The status of the Company buying liability insurance for the directors and the supervisors, and the social responsibilities, etc.: the Company has complied with clauses 39 and 50 of *Corporate Governance Practice Principles* to add the clause into the Articles of Corporation that the Company shall buy liability insurance for the directors and the supervisors to cover their compensation liabilities in accordance with law and

Evaluation Item	Implementation Status			Deviations from Corporate Governance Best-Practice Principles for TWSE/TPEx Listed Companies and Reasons
	Yes	No	Abstract Illustration	
incurred by the directors and supervisors while implementing duties during their tenures. (7) Corporate Social Responsibilities: in addition to focusing on the business development, the Company also makes efforts for a long period on corporate social responsibilities such as consumers' rights and public interest, and contributes back to society in a timely manner.				

9. Based on the most recent Corporate Governance Evaluation Results released by the Taiwan Stock Exchange Corporate Governance Center, please provide a description of the areas improved, and priorities and measures to be taken on areas identified for improvement: (Not applicable to the companies not on the to-be-evaluated list)

The scores the Company received in the 2nd Annual Corporate Governance Evaluation were in the first 36-50 percentile. As a result, we have been working towards strengthening the following two areas: "Putting Corporate Social Responsibility into Practice" and "Enhancing Board Composition and Operation". In the 3rd Annual Corporate Governance Evaluation, the scores the Company received were in the first 21-35 percentile, which indicates a significant improvement in our corporate governance practices. Going forward, the Company will be dedicated in improving these two performance indicators to enhance and strengthen the level of its corporate governance.

(4) Composition, Responsibilities and Operations of the Remuneration Committee

1) The responsibilities of the remuneration committee of the Company: review directors, supervisors and managers' annual and long-term effectiveness targets and the policies, systems, standards and compositions of salary and bonus on a regular basis; regularly evaluate the implementation status regarding directors, supervisors and managers' effectiveness targets, and specify individual contents and amount of salary and bonus.

2) The composition of the remuneration committee of the Company: the remuneration committee of the Company was established on July 19, 2011; as of March 31, 2017, information of the remuneration committee members are as follows:

Title (Note 1)	Criteria / Name	Meets One of the Following Professional Qualification Requirements, Together with at Least Five Years' Working Experience			Independence Criteria (Note 2)								Number of Other Public Companies in Which the Individual is Concurrently Serving as an Remuneration Committee Member	Remarks (Note 3)
		An instructor or higher position in a department of commerce, law, finance, accounting, or other academic department related to the business needs of the Company in a public or private junior college, college or university	A judge, prosecutor, attorney, Certified Public Accountant, or other professional or technical specialist who has passed a national examination and been awarded a certificate in a profession necessary for the business of the Company	Has working experience in the areas of commerce, law, finance, or accounting, or otherwise necessary for the business of the Company	1	2	3	4	5	6	7	8		
Other	Tu, Chun-Yung	V	X	V	V	V	V	V	V	V	V	V	0	Not applicable
Independent Director	Hsu, En-Te	V	V	V	V	V	V	V	V	V	V	V	4	Nor applicable
Other	Lin, Ching-Tung	V	X	X	V	V	V	V	V	V	V	V	0	Not applicable

Note 1： Please respectively address title as Director, Independent Director or Others.

Note 2： Please tick the corresponding boxes that apply to a member during the two years prior to being elected or during the term(s) of office.

(1) Not an employee of the Company or any of its affiliates.

(2) Not a director or supervisor of the Company or any of its affiliated companies. Not applicable in cases where the person is an independent director of the Company, its parent company or subsidiary appointed according to the Regulations Governing the Appointment of Independent Directors and Compliance Matters for Public Companies or local laws and regulations.

(3) Not a natural-person shareholder who holds shares, together with those held by the person's spouse, children (minors), or held by the person under others' names, in an aggregate amount of 1% or more of the total number of outstanding shares of the Company, or ranking in the top 10 in holdings.

(4) Not a spouse, relative within the second degree of kinship, or lineal relative within the third degree of kinship, of any of the persons in the preceding three sub-paragraphs.

(5) Not a director, supervisor, or employee of a corporate shareholder who directly holds 5% or more of the total number of outstanding shares of the Company, or who holds shares ranking in the top five holdings.

(6) Not a director, supervisor, officer, or shareholder holding 5% or more of the shares of a specified company or institution which has a financial or business relationship with the Company.

(7) Not a professional individual nor an owner, partner, director, supervisor, or officer of a sole proprietorship, partnership, company, or institution that provides commercial, legal, financial, accounting services or consultation to the Company or to any affiliate of the Company, or a spouse thereof.

(8) Not a person of any conditions defined in Article 30 of the Company Act.

Note 3： If member's title is a director, please illustrate if article 6, paragraph 5 of "Regulations Governing the Appointment and Exercise of Powers by the Remuneration Committee of a Company Whose Stock is Listed on the Stock Exchange or Traded Over the Counter" is complied with.

3) Operation Status of the Remuneration Committee

The tenure of current session for remuneration committee members is from July 7, 2014 to June 16, 2017. A total of 5 (A) Remuneration Committee meetings were held in 2016. The titles and attendance record of the Remuneration Committee members were as follows:

Title	Name	Attendance in Person(B)	By Proxy	Attendance Rate (%)【B/A】 (Note)	Remarks
Convener	Hsu, En-Te	5	0	100%	
Committee Member	Tu, Chun-Yung	5	0	100%	
Committee Member	Lin, Ching-Tung	5	0	100%	
Other mentionable items: 1. If the board of directors declines to adopt or modifies a recommendation of the remuneration committee, the date of the meeting, session, content of the motion, resolution by the board of directors, and the Company's response to the remuneration committee's opinion shall be specified: None. 2. Resolutions of the remuneration committee objected to or subject to a qualified opinion by members and recorded or declared in writing, the date of the meeting, session, content of the motion, all members' opinions and the response to members' opinion shall be specified: None.					

Note 1: A member of Remuneration Committee who resigns before the end of the accounting year, the resignation date shall be noted. His or her attendance rate (%) will be calculated on the basis of number of meetings during his or her tenureand number of attendances at such meetings.

Note 2: If a Remuneration Committee member is re-elected before the accounting year, the name of current and previous members shall be listed and his or her appointment status and re-election date shall be noted in the "Remarks". His or her attendance rate (%) will be calculated on the basis of number of meetings during his or her tenure and number of attendances at such meetings.

4) Other mentionable items:

- If the board of directors declines to adopt or modifies a recommendation of the remuneration committee, the date of the meeting, session, content of the motion, resolution by the board of directors, and the Company's response to the remuneration committee's opinion shall be specified: None.
- Resolutions of the remuneration committee objected to or subject to a qualified opinion by members and recorded or declared in writing, the date of the meeting, session, content of the motion, all members' opinions and the response to members' opinion shall be specified: None.

(5) Corporate Social Responsibility

Evaluation Item	Implementation Status			Deviations from *Corporate Social Responsibility Best-Practice Principles for TWSE/TPEx Listed Companies* and Reasons
	Yes	No	Abstract Explanation	
1. Corporate Governance Implementation (1) Does the company declare its corporate social responsibility policy or system and examine the results of its implementation?	V		(1) The Company established a "Corporate Social Responsibilities Dedicated Department" in 2015, assigning the Planning Department as the dedicated department, and adopted the Corporate Social Responsibility Best Practice Principles. The Planning Department is responsible for the planning of corporate social responsibility strategies and system, and review of the implementation results regarding the above strategies and system based on the Best Practice Principles in order to promote duly implementation.	None
(2) Does the company provide educational training on corporate social responsibility on a regular basis?	V		(2) The Company regularly carries out educational trainings on corporate social responsibility to advocate the policies and systems related to social responsibility and the implementation results of environmental education.	None
(3) Does the company establish exclusively (or concurrently) a dedicated department and does any senior management member authorized by the board take charge of proposing and implementing the corporate social responsibility policies and	V		(3) The Company has established and promoted a dedicated department for corporate social responsibility, and has been publishing CSR Reports since 2015. A report on the content and plans of the 2015 CSR Report, as well as CSR activities planning for 2016 was given at the meeting of the board of directors on May 11, 2016.	None

Evaluation Item	Implementation Status			Deviations from *Corporate Social Responsibility Best-Practice Principles for TWSE/TPEx Listed Companies* and Reasons
	Yes	No	Abstract Explanation	
report the implementation results to the board?				
(4) Does the company establish a reasonable salary remuneration policy and integrate the employee performance evaluation system with its corporate social responsibility policy, as well as establish an effective rewards and disciplinary policy?	V		(4) The Company has established a reasonable salary remuneration policy and has regularly held educational training programs for the employees to enhance their concept of corporate morals. The Company has also made rewards and punishment proposals for its employees based on the employees' evaluation results in order to inspire employees to grow along with the Company.	None
2. Sustainable Environment Development (1) Does the company endeavor to raise the efficiency of using all resources and use renewable materials which have low impact on the environment?	V		(1) With the growing awareness of global environmental protection in countries around the world, there have been standards imposed on the fuel efficiency of tires each year, which results in laws and regulations being adopted to govern fuel efficiency in the world, such as EU tire labeling and the classification of tire rolling resistance in Japan to regulate fuel efficiency of tires. In light of these regulations, the Company is committed to promoting low rolling resistance tires in its new product development and increasing production efficiency to	None

Evaluation Item	Implementation Status			Deviations from *Corporate Social Responsibility Best-Practice Principles for TWSE/TPEx Listed Companies* and Reasons
	Yes	No	Abstract Explanation	
			minimize environmental impact.	
(2) Does the company establish proper environmental management systems based on the characteristics of its industry?	V		(2) The Company's environmental management has received ISO-14000 certification as meeting the environmental management system standards. Energy saving, recycling, operating safety and pollution prevention are the Company's core principles. The Company also promotes the 5S management activities comprehensively and regularly examine all departments. The Health and Safety Department is responsible for the implementation of environmental management policy.	None
(3) Does the company monitor the impact of climate change on its operations and conduct greenhouse gas inspections, as well as establish and implement company strategies for energy conservation and carbon reduction and greenhouse gas reduction?	V		(3) 1. In January 2015, the Company's main plant and Dou Liu plant each received the Energy Efficiency and Carbon Reduction Marks from the Environmental Protection Administration, which is a recognition of the Company's continuous efforts in promoting energy conservation and carbon reduction. 2. Under the *Greenhouse Gas Reduction and Management Act*, the Company's main plant is the only manufacturing facility that is required to conduct greenhouse gas emission inspection and registration (with an annual fossil fuel emission of more than 25,000 t-CO2e). In 2016, the Company completed the inspection of its greenhouse gas emission from the main plant. The total amount of greenhouse gas emission by the main plant in 2016 was 89,484.065	None

Evaluation Item	Implementation Status			Deviations from *Corporate Social Responsibility Best-Practice Principles for TWSE/TPEx Listed Companies* and Reasons
	Yes	No	Abstract Explanation	
			t-CO2e, which was 5.9% less than the total amount in 2015, which was 95,145.023 t-CO2e. The Company will have its other plants to participate in voluntary greenhouse gas emission inspection in the future, the results of which will be verified by a third party so that the Company is able to establish complete inspection procedures and enhance the accuracy of the statistics. 3. Energy conservation: The Company has established an energy management organization to annually set up energy conservation goals and action plans. The Company currently follows the energy-efficient settings promoted by the Ministry of Economic Affairs, which is aimed to reduce energy use by 1% from a year before. The energy conservation measures taken by the Company include replacing old models of motors with energy-efficient motors, opting for energy-efficient light fixtures, recovering waste heat from the water heating system, and replacing the AC system.	
3. Maintaining Public Welfare (1) Does the company establish appropriate management policies and procedures according to relevant regulations and the International Bill of Human Rights?	V		(1) The Company has established a labor union in accordance with the *Labor Standard Act* and relevant labor regulations to manage and ensure employees' legal rights.	None

Evaluation Item	Implementation Status			Deviations from *Corporate Social Responsibility Best-Practice Principles for TWSE/TPEx Listed Companies* and Reasons
	Yes	No	Abstract Explanation	
(2) Does the company set up an employee complaint mechanism or communication channel and handle the complaints appropriately?	V		(2) The Company has offered an employee complaint system and mechanism in the internal website as a channel for employees' complaints, which is able to efficiently make an improvement and solve problems.	None
(3) Does the company provide its employees with a safe and healthy working environment and organize educational training programs on the issues of safety and health for its employees on a regular basis?	V		(3) 1. The safety devices of the machinery and equipment are inspected by the operators daily before operation. Dangerous machinery and equipment are routinely inspected each year. The health and safety officers daily perform onsite inspection and conduct auditing from time to time, and write up a checklist of safety improvements in the case of any violations. Every half year, the Company conducts an assessment on the operating environment. 2. Each new employee is required to participate in a general health and safety educational trainings; an advanced training is also provided based on the type of machinery and equipment he/she will operate on once he/she attends the operating site. The Learning and Development Division under the HR Department have trainings and seminars regarding health and safety from time to time for employees to participate in. Regulations related to health and safety, environmental protection, training information, and SDS downloads are also available by the Safety & Health Department on the Company's intranet.	None

Evaluation Item	Implementation Status			Deviations from *Corporate Social Responsibility Best-Practice Principles for TWSE/TPEx Listed Companies* and Reasons
	Yes	No	Abstract Explanation	
			3. Each year, the Company offers general and specialized health checkups to its employees. The Company also has doctors on-site at the factories weekly to provide services, and an infirmary and medical staff specialized in labor health service to provide consultation and first aid.	
(4) Does the company set up a regular and periodic communication channel with employees and inform employees, in reasonable ways, of any significant operational changes which may have an impact on them?	V		(4) The Company has internal web pages and individual emails for employees to provide them with information from every department, announcements and communication platforms among employees.	None
(5) Does the company provide its employees with effective career development training programs?	V		(5) The Company insists and is dedicated to creating a continuous and abundant learning environment. Each year, its employees participate in educational training regarding vocational development for enhancing their capability in respect of vocational development. Please refer to the relevant items of educational training and required hours on page 100-102 of the annual report.	None
(6) Does the company establish any consumer protection policies and complaint procedures regarding	V		(6) The Company has a post-sale service department and a client service web page (website: http://www.cst.com.tw). The Company's distributors over Taiwan also provide the consumers with consultation	None

Evaluation Item	Implementation Status			Deviations from *Corporate Social Responsibility Best-Practice Principles for TWSE/TPEx Listed Companies* and Reasons
	Yes	No	Abstract Explanation	
research and development, purchase, production, operation and services?			and complaint channels.	
(7) Does the company advertise and label its goods and services according to relevant regulations and international standards?	V		(7) The Company has disclosed its advertisement and labelling information of the products and services on the official website. The Company has also disclosed all verifications and honors obtained due to the Company's compliance with regulations in the introduction page (website: http://www.cst.com.tw).	None
(8) Does the company evaluate the records of suppliers' impact on the environment and society before building business relationships with them?	V		(8) The Company has evaluated whether the suppliers duly perform their corporate social responsibilities before building business relationships with them and has also required the suppliers to endeavor to enhance social responsibilities.	None
(9) Do the contracts between the company and its major suppliers include termination clauses which come into force once the suppliers breach the corporate social responsibility policy and cause appreciable impact on the environment and society?	V		(9) The Company specifies damages and termination clauses in contracts with the suppliers regarding the suppliers' breach of their social responsibilities and ethical operations. If a breach occurs by any of the suppliers, the Company will no longer do business with the supplier.	None
4. Enhancing Information Disclosure (1) Does the company disclose			The Company has disclosed its CSR reports on the official website and	None

Evaluation Item	Implementation Status			Deviations from *Corporate Social Responsibility Best-Practice Principles for TWSE/TPEx Listed Companies* and Reasons
	Yes	No	Abstract Explanation	
relevant and reliable information regarding its corporate social responsibility on its website and the Market Observation Post System (MOPS)?	V		reports the Company's actual promotion of social responsibilities to MOPS.	
5. If the Company has established the corporate social responsibility best practice principles according to the Corporate Social Responsibility Best-Practice Principles for TWSE/TPEx Listed Companies (the "Principles"), please describe any discrepancy between the *Principles* and their implementation: The Company has adopted and implemented the Corporate Social Responsibility Best Practice Principles. There is no discrepancy between our corporate social responsibility practices and the *Principles*.				
6. Other important information to facilitate better understanding of the company's corporate social responsibility implementation： Since the incorporation of the Company, the Company not only has committed to doing business with integrity and focused on developing its tire business, but also actively participated in charity events to make social contribution. The Company's involvement in social contribution include providing tire checks at rest stops from time to time, hosting seminars on tire knowledge at the universities and colleges in Taiwan, donating traffic safety vests to local organizations and schools, maintaining community parks and park benches, and donating luggage carts to the airports in several cities, including Taipei and Kaohsiung, to benefit the general public. The Company has also made its contribution to the development of sports in Taiwan by co-sponsoring the National Table Tennis Tournament with Taiwan Cooperative Financial Holding Co., Ltd., co-sponsoring the National Team Tennis Tournament with First Financial Holding Co., assembling bicycle enthusiasts in the country by organizing bicycle carnivals, and sponsoring the Changhua Classic 100K cycling event.				
7. A clear statement shall be made if the corporate social responsibility reports were verified by external certification institutions: None.				

(6) Ethical Corporate Management and Measures

Evaluation Item	Implementation Status			Deviations from the Ethical Corporate Management Best Practice Principles for TWSE/TPEx Listed Companies and Reasons
	Yes	No	Summary	
1. Establishment of Ethical Corporate Management Policies and Programs				None
(1) Has the company stipulated its ethical corporate management policies and procedures in its guidelines and public documents, as well as the commitment from its board to implement the policies?	V		(1) The Ethical Corporate Management Best Practice Principles and Corporate Governance Best Practice Principles have been adopted by the Company, which provide guidelines on business conduct for the Board and management to implement ethical corporate management.	
(2) Has the company established policies to prevent unethical conduct with clear statements regarding relevant procedures, guidelines of conduct, disciplinary measures for violation, rules of appeals, and the commitment to implement the policies?	V		(2) The Company has incorporated the rules, in accordance with the Ethical Corporate Management Best Practice Principles for TWSE/TPEx Listed Companies, into its Rules and Procedures for Board Meetings, Workplace Rules, related party transactions, execution of business contracts, accounting	

Evaluation Item	Implementation Status			Deviations from the Ethical Corporate Management Best Practice Principles for TWSE/TPEx Listed Companies and Reasons
	Yes	No	Summary	
(3) Has the company adopted appropriate precautions against the activities listed in Article 7, Paragraph 2 of the Ethical Corporate Management Best Practice Principles for TWSE/TPEx Listed Companies or other activities with high risk of unethical conducts?	V		policies and internal control system, which stipulates the prohibition of conflicts of interest, accepting gifts and gratuities and other unethical business practices, as well as its commitment to ethical corporate management. (3) The Company believes that a culture of ethical corporate management is one of the keys to the Company's sustainability and success. Its Ethical Corporate Management Best Practice Principles and other internal rules provide guidelines for the conduct of directors, managers and employees of the Company, which is aimed to urge personnel of the Company to act with the highest integrity and ethical standards when they perform their duties.	None

Evaluation Item	Implementation Status			Deviations from the Ethical Corporate Management Best Practice Principles for TWSE/TPEx Listed Companies and Reasons
	Yes	No	Summary	
2. Implementation of ethical corporate management				
(1) Does the company evaluate the ethical records of business counterparties and include clauses stipulating ethical conduct in business contracts?	V		(1) The Company has included clauses related to ethical conducts in the contractual agreements with its business counterparties, which allow the Company to terminate agreements and claim for damages or terminate partnerships due to the counterparties' violations of the clauses.	(1)None
(2) Has the company established a business unit, which is supervised by the Board and is exclusively or concurrently dedicated to business ethics and integrity, to report to the Board on implementation status?		V	(2) The Company has not yet established any business unit dedicated to business ethics and integrity.	(2)It will be established as the Company deems fit.
(3) Has the company established policies to prevent conflicts of interest, provided appropriate communication channels and implemented the policies?	V		(3) The Company has a "Stakeholders" section on the corporate website providing a platform for its stakeholders to express their opinions and complaints.	(3)None

Evaluation Item	Implementation Status			Deviations from the Ethical Corporate Management Best Practice Principles for TWSE/TPEx Listed Companies and Reasons
	Yes	No	Summary	
(4) Has the company established an effective accounting system and internal control system to facilitate ethical corporate management, and are they audited by either internal auditors or certified public accountants on a regular basis?	V		(4) The internal auditors are appointed and authorized under the rules of the Company and revise the internal control system from time to time in accordance with applicable laws and regulations, implement the system under the law and regulations and routinely submit audit reports to the Board for review.	(4)None
(5) Does the company regularly hold internal and external trainings on business ethics?	V		(5) The Company regularly provides its employees with training programs, campaigns and paper tests regarding the Workplace Rules and takes into account their performance in the annual evaluation.	(5)None
3. Grievance System (1) Has the company established a grievance and rewards system and a reporting hotline? Can the employees with alleged violations be reached by	V		(1) The Company has established a grievance system and whistleblowing procedures both on its intranet and on its website providing a	None

Evaluation Item	Implementation Status			Deviations from the Ethical Corporate Management Best Practice Principles for TWSE/TPEx Listed Companies and Reasons
	Yes	No	Summary	
an appropriate contact person for follow-up?			channel for its employees and relevant personnel to report unethical business behaviors or improper conduct. The investigation of reported or suspected violations will be undertaken by a responsible unit assigned by the Company.	None
(2) Has the company established standard operating procedures and confidentiality measures for the investigation of reported incidents?	V		(2) The Company's Workplace Rules stipulate the whistleblowing procedures and confidentiality measures, which enhance its code of conduct and ethics.	
(3) Does the company have proper measures in place to protect whistleblowers from reprisals?	V		(3) The Company takes protective measures and maintains the anonymity of whistleblowers to prevent reprisals. Any employee in violation of the Company's ethical standards will be subject to disciplinary actions according to the Company's rewards and disciplinary system.	

<table>
<tr><th rowspan="2">Evaluation Item</th><th colspan="3">Implementation Status</th><th rowspan="2">Deviations from the Ethical Corporate Management Best Practice Principles for TWSE/TPEx Listed Companies and Reasons</th></tr>
<tr><th>Yes</th><th>No</th><th>Summary</th></tr>
<tr><td>4. Enhancing Information Disclosure
(1) Has the company disclosed its ethical corporate management policies and results of implementation on the company’s website and the Market Observation Post System?</td><td>V</td><td></td><td>(1) The Company has made available its Ethical Corporate Management Best Practice Principles, corporate culture, missions and value and other information on its website.</td><td>None</td></tr>
<tr><td colspan="5">5. If the company has established ethical corporate management policies in accordance with the Ethical Corporate Management Best Practice Principles for TWSE/TPEx Listed Companies (“Best Practice Principles”), please describe any discrepancy between the policies and its practices:
The Company has adopted the Ethical Corporate Management Best Practice Principles and implement its ethical corporate management accordingly. There is no discrepancy between our practices and the Best Practice Principles.</td></tr>
<tr><td colspan="5">6. Other important information which facilitate a better understanding of the Company’s ethical corporate management practices:
The Company has made available on its website the Ethical Corporate Management Best Practice Principles, Rules and Procedures for Board Meetings, Management Procedures for Preventing Insider Trading and a Stakeholders Section. With a vision for sustainable business, we seek to implement ethical corporate management and comply with applicable laws and regulations as the fundamental principles of our business.</td></tr>
</table>

(7) Corporate Governance Guidelines and Rules

1) The Company's Handbook for the Annual General Meeting of Shareholders each year includes the Company's Articles of Incorporation, Ethical Corporate Management Best Practice Principles, Corporate Governance Best Practice Principles, Corporate Social Responsibility Best Practice Principles, Rules and Procedures of the Shareholders' Meeting, Rules for Election of Directors and Supervisors, Procedures for Acquisition and Disposal of Assets and Rules Governing Fund Lending and Endorsement and Guarantee. The Handbook is available on the Market Observation Post System.【Please access through the following steps: Company Profile → Electronic Book → Annual Report and other Information of the Shareholders' Meeting】

2) Other corporate governance guidelines and rules are also available on the Company's website, http://www.cst.com.tw.

(8) Other Important Information Regarding Corporate Governance

None.

(9) Director and Supervisor Training Records

Title	Name	Dates		Sponsoring Organization	Course Title/Subject	Hours
		From	To			
Supervisor	Chiu, Li-Ching	July 22, 2016	July 22, 2016	Securities and Futures Institute	Equity Transfer by Insiders of Listed Companies and Legal Compliance	3

(10) Manager Training Records

Title	Name	Dates		Sponsoring Organization	Course Title/Subject	Hours
		From	To			
Senior Manager and Chief Accounting and Financial Officer	Lo, Yung-Li	December 19, 2016	December 20, 2016	Taiwan Accounting Research and Development Foundation	Continuing Education Training for Chief Accounting Officers of Issuers, Securities Firms and the Securities Exchange	12

(11) State of Internal Control

1) Internal Control Statement

Cheng Shin Rubber Ind. Co., Ltd.

Statement of Internal Control

March 20, 2017

Based on the self-evaluation of Cheng Shin Rubber Ind. Co., Ltd. (the “Company”)'s internal control system as of December 31, 2016, we hereby state that:

1. The Company understands that the Board and management of the Company are responsible for establishing, implementing and maintaining adequate internal control. The Company has established an effective internal control system which aims to provide reasonable assurance regarding operational results and effectiveness (e.g., profitability, performance safeguarding of assets), reliability, timeliness and transparency of its financial reporting and the compliance with applicable laws and regulations.
2. Due to its inherent limitations, an effective internal control system can only reasonably ensure the achievement of the three objectives above, no matter how complete and perfect the design of the system is. Also, the effectiveness of the internal control system may vary due to changes in the environment or conditions. However, the Company has set up a self-monitoring mechanism on the internal control system, which allows the Company to take corrective actions as soon as any error or inadequacy is identified.
3. The Company has assessed the design and operating effectiveness of the internal control system based on the criteria, which aims to assess the effectiveness of the internal control system, listed in the Framework for the Establishment of Internal Control System by Public Companies (the “Framework”). The criteria listed in the Framework divides the internal control system into five components, based on management control process. The five components are a) Control environment, b) Risk assessment, c) Control activities, d) Information and communication, and e) Monitoring. Each component comprises of several elements. For more information, please refer to the Framework.
4. We have assessed the design and operating effectiveness of the Company’s internal control system based on the criteria listed in the Framework.
5. Based on the assessment mentioned above, we conclude that the Company maintains an effective design and operation of its internal control system (including supervisory and management of subsidiaries) as of December 31, 2016, which provides reasonable assurance regarding the achievement of the following objectives: understanding the effectiveness and efficiency of operations, the status of goal achievement, reporting reliability, timeliness and transparency of financial reporting, and compliance with applicable laws and regulations.
6. This statement shall be included as an integral part of the Annual Report and the future prospectus of the Company and be disclosed to the public. Any false or fraudulent representations and concealment of information in this statement shall be subject to the legal liabilities prescribed by Article 20, Article 32, Article 171 and Article 174 of the Securities and Exchange Act.
7. This statement has been unanimously approved by the Board of Directors on March 20, 2017, with 8 directors present at the meeting.

Cheng Shin Rubber Ind. Co., Ltd.

Lo, Tsai-Jen
Chairman

Lo, Tsai-Jen
General Manager

2) A separate audit report shall be disclosed where an independent registered public accounting firm has reviewed the Company’s internal control system: N/A

(12) Sanctions imposed on the Company or its personnel in accordance with the laws, or disciplinary actions taken by the Company against its personnel for any violation of internal control rules within the current fiscal year and as at the date of the Annual Report, as well as details of the sanctions, major deficiencies and subsequent improvements: None.

(13) Major Resolutions of Shareholders' Meeting and Board Meetings within the current fiscal year and as at the date of the Annual Report

1) Shareholder Resolutions and Implementation Status

Item	Date	Proposal	Resolution	Implementation Status
2016 Annual General Meeting	June 15, 2016	Amendments to the Company's Articles of Incorporation	The proposal was approved by votes of the shareholders. • Number of votes cast for the proposal: 2,289,304,816 votes (598,779,141 of which were cast electronically), accounted for 92.73% of the total voting shares present in person or by proxy • Number of votes cast against the proposal: 103,203 votes (all of which were cast electronically) • Abstentions via the electronic voting system: 189,113,224 • Spoilt votes: 0	The Articles of Incorporation has been amended according to the resolution of the shareholders' meeting and filed with the Ministry of Economic Affairs on June 29, 2016.
		Approval of 2015 Business Report and Financial Statements	The proposal was approved by votes of the shareholders. • Number of votes cast for the proposal: 2,285,566,789 votes (586,041,114 of which were cast electronically), accounted for 92.21% of the total voting shares present in person or by proxy • Number of votes cast against the proposal: 100,592 votes (all of which were cast electronically) • Abstentions via the electronic voting system: 192,853,862 • Spoilt votes: 0	The 2015 Business Report and Financial Statements have been announced as approved by the shareholders' meeting.
		Approval of 2015 Profit Distribution Plan	The proposal was approved by votes of the shareholders. • Number of votes cast for the proposal: 2,289,269,469 votes (589,743,794 of which were cast electronically), accounted for 92.36% of the total voting shares present in person or by proxy • Number of votes cast against the proposal: 127,192 votes (all of which were cast electronically) • Abstentions via the electronic voting system: 189,124,582 • Spoilt votes: 0	The cash dividends were paid to the shareholders at NT$3 per share on August 25, 2016.

2) Major Board Resolutions

Date	Resolutions	Commentary
January 14, 2016	(1) Plans of professional manager year-end bonus and profit distribution (2) Ratification of disposal of fixed assets to related parties (3) Proposal of maximum loan balance of the Company (4) Proposals of endorsement and guarantee of obligations provided by the Company and condolence letter	Approved by the unanimous decision of the directors present
March 24, 2016	(1) 2015 director, supervisor and employee profit sharing plans of the Company (2) Ratification of the Company's 2015 business report, consolidated financial statements and separate financial statements (3) Proposal to spin off the Company's business under the domestic sales (operations) department to its subsidiary, Maxxis Trading Ltd. (4) Proposal of the date and location of the 2016 Annual General Meeting as well as the reasons to convene the meeting (5) Proposal of the period and location accepting shareholder proposals for the 2016 Annual General Meeting (6) Auditor independence evaluation report (7) The Company's 2015 profit distribution plan (8) Approval of the Company's 2015 Internal Control Statement (9) Amendment to the Company's proposal to prepare its own financial reports and progress report (10) Proposal of maximum loan balance of the Company (11) Proposal of endorsement and guarantee of obligations provided by the Company	Approved by the unanimous decision of the directors present
May 11, 2016	(1) Ratification of the Company's Q1 2016 Consolidated Financial Statements (2) Proposal of endorsement and guarantee of obligations provided by the Company	Approved by the unanimous decision of the directors present
July 7, 2016	(1) Proposal of ex-dividend date (2) Payment of 2015 director and supervisor remuneration (3) Proposal of the first offering of unsecured corporate bonds of 2016 (4) Ratification of appointment and removal of personnel (5) Proposal of job grade promotion of personnel (6) Proposal to release officers of the Company from non-compete restrictions (7) Proposal of maximum loan balance of the Company (8) Proposal of endorsement and guarantee of obligations provided by the Company	Approved by the unanimous decision of the directors present
August 10, 2016	(1) Ratification of the Company's Q2 2016 Consolidated Financial Statements (2) Ratification of appointment and removal of personnel (3) Proposal to appoint a new spokesperson and deputy spokesperson of the Company (4) Ratification of disposal of fixed assets to related parties (5) Proposal of maximum loan balance of the Company (6) Proposals of endorsement and guarantee provided by the Company	Approved by the unanimous decision of the directors present

November 9, 2016	(1) Retirement of the general manager of the Company (2) Proposal to appoint the new general manager of the Company (3) Proposal to adopt the Company's Rules for Retirement of Officers (4) Proposal of the pension payment standards for General Manager, Chen, Yun-Hwa (5) Proposal to adopt the Corporate Governance Best Practice Principles (6) Proposal to adopt the Ethical Corporate Management Best Practice Principles (7) Proposal to adopt the Corporate Social Responsibility Best Practice Principles (8) Proposal to adopt the Company's 2017 Audit Plan (9) Amendments to the internal control system manual of the Company (10) Ratification of the Company's Q3 2016 Consolidated Financial Statements (11) Proposal to incorporate Maxxis International Indonesia (12) Proposal to incorporate OE business locations in Japan (13) Proposal of maximum loan balance of the Company (14) Proposals of endorsement and guarantee of obligations provided by the Company	Approved by the unanimous decision of the directors present
January 5, 2017	(1) Officers' year-end bonus and profit distribution plans of the Company (2) Proposal of maximum loan balance of the Company (3) Proposal of endorsement and guarantee of obligations provided by the Company	Approved by the unanimous decision of the directors present
March 20, 2017	(1) 2016 director, supervisor and employee profit sharing plans of the Company (2) Ratification of the Company's 2016 Consolidated Financial Statements and Individual Financial Statements (3) Proposal of the date and location of the 2017 Annual General Meeting as well as the reasons to convene the meeting (4) Proposal of the period and location accepting shareholder proposals and independent director candidate nominations for the 2017 Annual General Meeting (5) Auditor independence evaluation report (6) Approval of the Company's 2016 Internal Control Statement (7) Amendment to the Company's Remuneration Committee Charter (8) Proposal of maximum loan balance of the Company (9) Proposal of endorsement and guarantee of obligations provided by the Company	Approved by the unanimous decision of the directors present
April 26, 2017	(1) Ratification of the Company's 2016 profit distribution and business report (2) Review of independent director candidates (3) Proposal to re-elect the directors (including independent directors) of the Company (4) Proposal to release the new directors of the Company from non-compete restrictions (5) Ratification of disposal of fixed assets to related parties (6) Amendments to the internal control system manual of the Company (7) Discussion of the proposed amendments to the Company's Articles of Incorporation	Approved by the unanimous decision of the directors present

	(8) Discussion of the proposed amendments to the Company's Procedures for the Acquisition and Disposal of Assets (9) Discussion of the proposed amendments to the Company's Rules Governing Fund Lending and Endorsement and Guarantee (10) Discussion of the proposed amendments to the Company's Rules for Election of Directors and Supervisors (11) Discussion of the proposed amendments to the Company's Rules and Procedures for Board Meetings (12) Discussion of the proposed amendments to the Company's Corporate Governance Best Practice Principles (13) Discussion of the proposed amendments to the Company's Ethical Corporate Management Best Practice Principles (14) Discussion of the amendments to the Company's Operating Procedures to Suspend and Resume Transactions (15) Discussion of the amendments to the Company's Rules and Procedures for Changes in Professional Judgement Process, Accounting Policies and Estimates (16) Proposal to amend the Company's Audit Committee Charter	

(14) Major issues of record or written statements made by any director or supervisor dissenting to major resolutions passed by the Board during the current fiscal year and as of the date of the Annual Report: none.

(15) Summary of resignation and removal of key individuals involved in the financial reporting of the Company, including chairman, general manager, chief officers in accounting, financial, internal audit, and research and development departments, during the current fiscal year and as of the date of the Annual Report:

Title	Name	Date of on board	Date of Termination	Reason for Resignation or Removal
General Manager	Chen, Yun-Hwa	August 1, 1992	November 1, 2016	Retirement

3.4 Accounting Fees

(1) Accounting Fees

Accounting Firm	Name of CPA		Audit Period	Commentary
PricewaterhouseCoopers Taiwan	Grace Hung	Steven Go	January 1, 2016 to December 31, 2016	

Note: If there has been a change of certified public accountants or independent public accounting firm during the current fiscal year, the Company shall disclose the information regarding the audit period covered by the predecessor auditor and successor auditor as well as the reasons for change of auditors in the commentary column.

Fee Range \ Items		Audit Fees	Non-audit Fees	Total Fees
1	Under NT$2,000,000			
2	NT$2,000,000 - NT$3,999,999		NT$3,152,000	
3	NT$4,000,000 - NT$5,999,999			
4	NT$6,000,000 - NT$7,999,999	NT$7,000,000		
5	NT$8,000,000 - NT$9,999,999			
6	NT$10,000,000 and above			NT$10,152,000

1) Disclosure of audit and non-audit fees as well as details of the non-audit services where the non-audit fees paid to the certified public accountants, the independent certified public accounting firm and/or its affiliates account for 25% or more of the audit fees:

   The audit fees are NT$7,000,000 and the non-audit fees are NT$3,152,000. The non-audit fees were paid mainly for business income tax audit and consultation on the tax implications of separating production from distribution.

2) Disclosure of the amount, percentage and reasons of decrease in audit fees where there has been a change of auditors and the audit fees are lower than the previous fiscal year: N/A

3) Disclosure of the amount, percentage and reasons of decrease where the audit fees are lower than the previous fiscal year by 15% or more:

   N/A.

3.5 Change of Auditors: none

(1) Information of Predecessor Auditor: N/A

(2) Information of Successor Auditor: N/A

3.6 Disclosure of any of the Company's Chairman, General Manager, Chief Financial or Accounting Officers has held a position at the Company's independent certified public accounting firm or its affiliates within the last year: None.

3.7 Transfer or Pledge of Shares by Directors, Supervisors, Managers and Shareholders who hold 10% of the Company’s shares or more during the current fiscal year and as of the date of the Annual Report

(1) Changes in Share Ownership of Directors, Supervisors, Managers and Major Shareholders (holding 10% shares or more)

Title	Name of Director, Supervisor or Major Shareholder	2016		2017 (As of April 17, 2017)	
		Number of Shares Held+(-)	Shares Pledged+(-)	Number of Shares Held+(-)	Shares Pledged+(-)
Chairman and Major Shareholder	Lo, Tsai-Jen	（1,000,000）	0	0	0
Director	Chen, Yun-Hwa	0	0	0	0
Director and General Manager	Chen, Shiu-Hsiung	0	0	0	0
Director	Horning Yih Investment Corporation, represented by Lee, Chin-Chang	0	0	0	0
Director	Horning Yih Investment Corporation, represented by Wu, Hsuan-Miao				
Director	Horning Yih Investment Corporation, represented by Lin, Hung-Yu				
Director	Horning Yih Investment Corporation, represented by Tseng, Yung-Yao				
Independent Director	Hsu, En-Te	0	0	0	0
Independent Director	Too, Jui-Rze	0	0	0	0
Supervisor	Tseng, Sung-Chu	0	0	0	0
Supervisor	Chiu, Li-Ching	(60,000,000)	0	0	0
Supervisor	Chen, Han-Chi	(4,400,000)	0	0	0
Vice President	Lee, Chin-Chang	0	0	0	0
Vice President	Wu, Hsuan-Miao	0	0	0	0
Vice President	Lin, Hung-Yu	0	0	0	0
Vice President (Note)	Tseng, Yung-Yao	0	0	0	0
Vice President	Weng, Ming-Chun	(18,000)	0	0	0
Vice President	Huang, Chung-Jen	0	0	0	0

Vice President	Peng, Wen-Hsing	0	0	0	0
Vice President	Huang, Chieh-Hsiang	0	0	0	0
Vice President	Hsu, Chih-Ming	0	0	0	0
Vice President	Lin, Yu-Yu	0	0	0	0
Vice President	Liao, Cheng-Yao	0	0	0	0
Vice President	Lee, Hung-Ko	0	0	0	0
Vice President	Lai, Kuo-Ti	0	0	0	0
Vice President	Liu, Chao-Sheng	0	0	0	0
Senior Manager	Lin, Chen-Chieh	0	0	0	0
Senior Manager	Wei, Chi-Chiang	0	0	0	0
Senior Manager	Ho, Chin-Fang	0	0	0	0
Senior Manager	Lin, Chin-Chuan	0	0	0	0
Senior Manager	Chang, Chuan-Shun	0	0	0	0
Senior Manager	Mao, Yu-Fu	0	0	0	0
Senior Manager	Huang, Kuo-Tsai	0	0	0	0
Senior Manager	Huang, Yang-Hsun	0	0	5,000	0
Senior Manager	Chen, Ying-Kuang	0	0	0	0
Senior Manager	Lo, Chen-Jung	0	0	0	0
Senior Manager	Chang, Ghi-Jung	0	0	0	0
Senior Manager	Chang, Chin-Lu	0	0	0	0
Senior Manager	Liu, Ching-Chung	0	0	0	0
Senior Manager	Chen, Shu-Yu	0	0	0	0
Senior Manager	Chiang, Kui-Yung	0	0	0	0
Senior Manager	Chang, Chin-Ming	0	0	0	0
Senior Manager	Hu, Ming-Te	0	0	0	0
Chief Financial and Accounting Officer	Lo, Yung-Li	0	0	0	0
Major Shareholder	Luo, Ming-Han	0	0	0	0

Note: Assistant Manager, Lin, Zheng-Hua, retired on July 4, 2016; Assistant Manager Chiang, Shi-Pin retired on July 31, 2016.

(2) Transfer of Shares

Name	Reason for Transfer	Date of Transaction	Transferee	Relationship between Transferee and the Company, its Directors, Supervisors or Major Shareholders	Number of Shares	Transfer Price (NT$)
Chiu, Li-Ching	Gift	March 18, 2016	Luo, Yuan-Yu	Adult Child	20,000,000	62.90
Chiu, Li-Ching	Gift	March 30, 2016	Luo, Yuan-Yu	Adult Child	40,000,000	63.80
Lo, Ming-I	Gift	July 6, 2016	Chen, Li-Chen	Adult Child	2,500,000	65.00
Lo, Ming-I	Gift	July 6, 2016	Chen, Chi-Ying	Adult Child	2,500,000	65.00
Lo, Ming-I	Gift	July 6, 2016	Chen, Ping-Hao	Adult Child	5,000,000	65.00

(3) Pledged Shares

Shares pledged to related parties: None

3.8 Information of the Top Ten Largest Shareholders who are Related Parties or have a Spousal or Familial Relationship within the Second Degree of Kinship

(1) Relationship among Top Ten Largest Shareholders

Name (Note 1)	Share Ownership		Share Ownership of Spouses and Children who are Minors		Shares Held under Nominee Accounts		Top Ten Largest Shareholders who are Related Parties or have a Spousal or Familial Relationship within the Second Degree of Kinship		Commentary
	Shares	%	Shares	%	Shares	%	Name	Relationship	
Luo, Ming-Han	370,176,378	11.42%	0	0%	0	0%	Luo, Jye, Chen, Shiu-Hsiung, Lo, Tsai-Jen, Lo, Ming-I, Lo, Min-Ling, Luo, Yuan-Yu, and Chen, Yun-Hwa	Relative within the second and third degree of kinship	
Lo, Tsai-Jen	283,225,502	8.74%	27,996,793	0.86%	32,672,000	1.00%	Luo, Jye, Chen, Shiu-Hsiung, Luo, Ming-Han, Lo, Ming-I, Lo, Min-Ling, Luo, Yuan-Yu, and Chen, Yun-Hwa	Relative within the second and third degree of kinship	
Luo, Jye	224,163,978	6.92%	0	0%	0	0%	Lo, Ming-I, Chen, Shiu-Hsiung, Lo, Tsai-Jen, Luo, Ming-Han, Lo, Min-Ling, Luo, Yuan-Yu, and Chen, Yun-Hwa	Relative within the second and third degree of kinship	
Lo, Ming-I	162,492,443	5.01%	40,570,531	1.25%	13,391,000	0.41%	Luo, Ming-Han, Chen, Shiu-Hsiung, Lo, Tsai-Jen, Luo, Jye, Lo, Min-Ling, Luo, Yuan-Yu, and Chen, Yun-Hwa	Relative within the second and third degree of kinship	
Luo, Yuan-Yu	77,942,547	2.40%	0	0%	0	0%	Luo, Jye, Lo, Tsai-Jen, Luo, Ming-Han, Lo, Ming-I, Chen, Yun-Hwa, Chen, Shiu-Hsiung, and Lo, Min-Ling	Relative within the second and third degree of kinship	
Cathay Life Insurance Co., Ltd.	71,086,000	2.19%	0	0%	0	0%	N/A	N/A	
Lo, Min-Ling	66,495,516	2.05%	57,819,456	1.78%	31,280,000	0.96%	Luo Jye, Lo Tsai-Jen, Luo Ming-Han, Lo Ming-I, Luo Yuan-Yu, Chen Shiu-Hsiung, and Chen Yun-Hwa	Relative within the second and third degree of kinship	
Pension Fund under the	66,414,315	2.05%	0	0%	0	0%	N/A	N/A	

New Labor Pension System									
Chen, Shiu-Hsiung	57,819,456	1.78%	66,495,516	2.05%	0	0%	Luo, Jye, Lo, Tsai-Jen, Luo, Ming-Han, Lo, Ming-I, Lo, Min-Ling, Luo, Yuan-Yu, and Chen, Yun-Hwa	Relative within the second and third degree of kinship	
Fubon Life Insurance Co., Ltd.	55,325,091	1.71%	0	0%	0	0%	N/A	N/A	

Note 1: The name of the shareholders shall be listed individually (corporate shareholders shall include both the company name and name of representative)

Note 2: Percentage in share ownership shall be the total shares held whether in the names of the individual, his/her spouse, children who are minors or under nominee accounts.

Note 3: Relationship between the aforementioned shareholders (including juristic and natural persons) shall be disclosed according to Regulations Governing the Preparation of Financial Reports by Securities Issuers.

3.9 Share Ownership in Affiliated Companies

A summary of share ownership by the Company and its directors, supervisors, managers, as well as entities controlled directly and indirectly by the Company is as follows:

Affiliated Companies (Note)	Ownership by the Company		Ownership by Directors, Supervisors, Managers and Entities Directly or Indirectly Controlled by the Company		Total Ownership	
	Shares	%	Shares	%	Shares	%
Maxxis International Co., Ltd.	35,050,000	100%	0	0%	35,050,000	100%
CST Trading Ltd.	72,900,000	100%	0	0%	72,900,000	100%
Cheng Shin Rubber USA, Inc.	1,800,000	100%	0	0%	1,800,000	100%
Maxxis Trading Ltd.	237,811,720	100%	0	0%	237,811,720	100%
Chau Shin Investment Corp.	9,700,000	97%	50,000	0.5%	9,750,000	97.5%
New Pacific Industry Company Limited	5,000,000	50%	0	0%	50,000,000	50%
Cheng Shin Rubber Canada, Inc.	1,000,000	100%	0	0%	1,000,000	100%
Cheng Shin Holland B.V.	9,708	30%	0	0%	9,708	30%
Maxxis Tech Center Europe B.V.	1,000,000	100%	0	0%	1,000,000	100%
P.T. Maxxis International Indonesia	79,997,000	99.99625%	3,000	0.00375%	80,000,000	100%
Maxxiss Rubber India Private Limited	369,997,000	99.9992%	3,000	0.0008%	3700,000,000	100%
Maxxis Trading Company Limited	10,000,000	100%	0	0%	10,000,000	100%

Note 1: Investments of the Company are accounted for using the equity method.

Note2: Numbers are as of December 31, 2016.

IV. Capitalization

4.1 Capital and Shares

(1) Source of Capital

Month/Year	Issue Price/Par Value (NT$)	Authorized Capital		Paid-in Capital		Commentary		
		Number of Shares	Amount	Number of Shares	Amount	Sources of Capital	Capital Increase by Assets Other Than Cash	Other
August 1988	10	162,509,490	1,625,094,900	162,509,490	1,625,094,900	Capital increase from retained earnings	None	-
August 1989	10	203,136,863	2,031,368,630	203,136,863	2,031,368,630	Capital increase from retained earnings	None	-
August 1990	10	243,764,236	2,437,642,360	243,764,236	2,437,642,360	Capital increase from retained earnings	None	-
May 1991	10	263,265,375	2,632,653,750	263,265,375	2,632,653,750	Capital increase from retained earnings	None	Jing (80) Shang No.118965 dated September 7, 1991
July 1992	10	315,918,450	3,159,184,500	315,918,450	3,159,184,500	Capital increase from retained earnings	None	Jing (81) Shang No.118426 dated August 31, 1992
July 1993	10	363,306,218	3,633,062,180	363,306,218	3,633,062,180	Capital increase from retained earnings	None	Jing (82) Shang No.115285 dated August 13, 1993
July 1994	10	421,435,213	4,214,352,130	421,435,213	4,214,352,130	Capital increase from retained earnings	None	Jing (83) Shang No.112989 dated September 2, 1994
August 1995	10	501,507,903	5,015,079,030	501,507,903	5,015,079,030	Capital increase from retained earnings	None	Jing (84) Shang No.111207 dated August 16, 1995
August 1996	10	551,658,693	5,516,586,930	551,658,693	5,516,586,930	Capital increase from retained earnings	None	Jing (85) Shang Zi No.111479 dated August 12, 1996
July 1997	10	606,824,562	6,068,245,620	606,824,562	6,068,245,620	Capital increase from retained earnings	None	Jing (86) Shang Zi No.111867 dated July 18, 1997
December 1998	10	679,643,509	6,796,435,090	679,643,509	6,796,435,090	Capital increase from retained earnings	None	Jing (87) Shang Zi No.087142412 dated December 29, 1998
August 1999	10	747,607,860	7,476,078,600	747,607,860	7,476,078,600	Capital increase from retained earnings	None	Jing (88) Shang Zi No.088127496 dated August 4, 1999
August 2000	10	784,988,253	7,849,882,530	784,988,253	7,849,882,530	Capital increase from retained earnings	None	Jing (89) Shang Zi No.089127105 dated August 1, 2000
August 2001	10	836,012,489	8,360,124,890	836,012,489	8,360,124,890	Capital increase from	None	Jing (90) Shang Zi No.09001288800 dated

						retained earnings		August 22, 2001
August 2002	10	886,173,238	8,861,732,380	886,173,238	8,861,732,380	Capital increase from retained earnings	None	Jing Shou Shang Zi No.09101319120 dated August 15, 2002
August 2003	10	957,067,097	9,570,670,970	957,067,097	9,570,670,970	Capital increase from retained earnings	None	Jing Shou Shang Zi No.09201240400 dated August 8, 2003
August 2004	10	1,048,945,538	10,489,455,380	1,048,945,538	10,489,455,380	Capital increase from retained earnings	None	Jing Shou Shang Zi No.09301149390 dated August 18, 2004
September 2005	10	1,138,105,908	11,381,059,080	1,138,105,908	11,381,059,080	Capital increase from retained earnings	None	Jing Shou Shang Zi No.09401168800 dated September 5, 2005
September 2006	10	1,217,773,322	12,177,733,220	1,217,773,322	12,177,733,220	Capital increase from retained earnings	None	Jing Shou Shang Zi No.09501191430 dated August 30, 2006
September 2007	10	1,303,017,454	13,030,174,540	1,303,017,454	13,030,174,540	Capital increase from retained earnings	None	Jing Shou Shang Zi No.09601224190 dated September 14, 2007
September 2008	10	1,498,470,072	14,984,700,720	1,498,470,072	14,984,700,720	Capital increase from retained earnings	None	Jing Shou Shang Zi No.09701236220 dated September 15, 2008
September 2009	10	1,648,317,079	16,483,170,790	1,648,317,079	16,483,170,790	Capital increase from retained earnings	None	Jing Shou Shang Zi No.09801202660 dated September 4, 2009
August 2010	10	2,060,396,349	20,603,963,490	2,060,396,349	20,603,963,490	Capital increase from retained earnings	None	Jing Shou Shang Zi No.09901193360 dated August 25, 2010
August 2011	10	2,472,475,619	24,724,756,190	2,472,475,619	24,724,756,190	Capital increase from retained earnings	None	Jing Shou Shang Zi No.10001194070 dated August 22, 2011
August 2012	10	2,818,622,206	28,186,222,060	2,818,622,206	28,186,222,060	Capital increase from retained earnings	None	Jing Shou Shang Zi No.10101174280 dated August 27, 2012
August 2013	10	3,241,415,536	32,414,155,360	3,241,415,536	32,414,155,360	Capital increase from retained earnings	None	Jing Shou Shang Zi No.10201172870 dated August 29, 2013

As of December 31, 2016

(In shares)

Type of Shares	Authorized Capital			Commentary
	Outstanding Shares	Unissued Shares	Total	
TWSE Listed Common Stock	3,241,415,536	0	3,241,415,536	-

(2) Shareholder Structure

As of April 17, 2017

Shareholder structure / Numbers	Government Agencies	Financial Institutions	Other Juristic Persons	Foreign Institutions and Natural Persons	Individuals	Total
Number of Shareholders	8	30	354	698	69,277	70,367
Number of Shares	180,324,230	305,492,237	471,739,019	458,348,457	1,825,511,593	3,241,415,536
Share Ownership %	5.56%	9.42%	14.55%	14.14%	56.32%	100.00%

(3) Share Ownership Distribution

As of April 17, 2017

At Par Value NT$10

Share Ownership by Range	Number of Shareholders	Number of Shares	Share Ownership %
1 - 999	18,553	5,612,152	0.17%
1,000 - 5,000	37,090	80,767,691	2.49%
5,001 - 10,000	7,111	54,213,910	1.67%
10,001 - 15,000	2,444	30,612,767	0.94%
15,001 - 20,000	1,511	26,987,143	0.83%
20,001 - 30,000	1,191	29,936,221	0.92%
30,001 - 40,000	581	20,279,919	0.63%
40,001 - 50,000	372	17,107,180	0.53%
50,001 - 100,000	705	49,259,271	1.52%
100,001 - 200,000	314	43,770,636	1.35%
200,001 - 400,000	175	47,996,761	1.48%
400,001 - 600,000	65	31,814,331	0.98%
600,001 - 800,000	43	30,699,525	0.95%
800,001 - 1,000,000	24	21,311,321	0.66%
1,000,001 and above	188	2,751,046,708	84.87%
Total	70,367	3,241,415,536	100%

Note: The Company has not issued preferred shares.

(4) Major Shareholders

As of April 17, 2017

Name	Number of Shares	Share Ownership %
Luo, Ming-Han	370,176,378	11.42%
Lo, Tsai-Jen	283,225,502	8.74%
Luo, Jye	224,163,978	6.92%
Lo, Ming-I	162,492,443	5.01%
Luo, Yuan-Yu	77,942,547	2.40%
Cathay Life Insurance Co., Ltd.	71,086,000	2.19%
Lo, Min-Ling	66,495,516	2.05%
Pension Fund under the New Labor Pension System	66,414,315	2.05%
Chen, Shiu-Hsiung	57,819,456	1.78%
Fubon Life Insurance Co., Ltd.	55,325,091	1.71%

Note: The list of major shareholders includes shareholders with 1% or more share ownership and/or the top 10 largest shareholders.

(5) Market Price, Net Value, Earnings, and Dividend per Share

In Shares or NT$

Item		Year	2015	2016	2017 (As of March 31, 2017)
Market Price per Share (Note 1)	Highest Price		78.1	72.9	67.10
	Lowest Price		48.8	48.55	60.60
	Average		64.46	63.27	63.91
Net Value per Share (Note 2)	Before Distribution		27.51	26.99	26.59
	After Distribution		27.51	-	-
Earnings per Share	Weighted Average of Shares		3,241,415,536	3,241,415,536	3,241,415,536
	Earnings per Share (Note 3)	3.94	4.09	0.59	0.59
		3.93	-	-	-
Dividend per Share	Cash Dividend		3.00	3.00 (Note 8)	-
	Stock Dividend	Paid out of Retained Earnings	0	0	-
		Paid out of Capital Surplus	-	-	-
	Accrued Unpaid Dividends (Note 4)		-	-	-
Return on Investment	P/E Ratio (Note 5)		16.36	15.47	-
	Price/Dividend Ratio (Note 6)		21.49	21.09	-
	Cash Dividend Yield (Note 7)		4.65%	4.74%	-

Note 1: List the highest and lowest market price in each fiscal year and calculate the average market price based on the trading value and volume.

Note 2: Please fill out the figures according to the number of outstanding shares at the end of the fiscal year and the resolution regarding distribution by the shareholders' meeting the following year.

Note 3: Please fill out basic and diluted earnings per share if retroactive adjustment is necessary due to stock dividend payout.

Note 4: If the terms of issuance of the equity securities provide that any dividends declared but not paid may be carried forward until the Company has earnings, the amount of accrued unpaid dividends as at the end of such fiscal year shall be disclosed.

Note 5: P/E Ratio = Average Market Price per Share / Earnings per Share

Note 6: Price/Dividend Ratio = Average Market Price per Share / Cash Dividend per Share

Note 7: Cash Dividend Yield = Cash Dividend per Share / Average Market Price per Share

Note 8: The distribution of earnings this year has not been approved by the annual general meeting of the shareholders.

(6) Dividend Policy and Implementation

Our dividend policy is as follows:

1) If the Company has pre-tax earnings for the fiscal year after the accounts are closed, after setting aside an amount to pay any business income tax due, the Company shall first offset the losses of previous year(s) and then set aside ten percent (10%) of the residual amount as the legal reserve, and shall, in accordance with applicable laws and regulations, set aside a portion of the after-tax earnings for its special reserve. To the extent that there is any balance of the Company's after-tax earnings remaining, the total earnings available for distribution shall consist of the remainder of such balance and the retained earnings from the previous year(s). The board of directors may propose a profit distribution plan for approval at the shareholders' meeting.

   The shareholder dividends declared under such a plan shall be ten to eighty percent (10-80%) of the total distributable earnings, from which the cash dividends shall be ten percent (10%) or more of the total dividends declared.

2) Proposed Dividend Payment by the Shareholders' Meeting

   After the appropriation of legal reserve, the total after-tax earnings of the Company available for distribution, which includes retained earnings carried forward from previous year(s), was NT$40,745,750,097 in the 2016 Fiscal Year. It is proposed that NT$9,724,246,608 of cash dividends be paid to the shareholders (at NT$3 per share) in accordance with the Articles of Incorporation of the Company.

(7) Impact of the proposed stock dividend payment by the shareholders' meeting on the business performance and earnings per share of the Company

The Company did not declare any stock dividend, and therefore no impact was expected on the business performance and earnings per share of the Company.

(8) Employee Bonus and Director and Supervisor Remuneration

1) Percentage or Range of Employee Remuneration and Director and Supervisor Remuneration under the Articles of Incorporation

   To the extent that there is any balance of the Company's after-tax earnings remaining, an amount no less than two percent (2%) of such balance shall be paid out as employee bonus and no more than three percent (3%) of such balance shall be paid out as director and supervisor remuneration, provided that, however, the Company shall first offset the cumulative losses, if any.

   Employee bonus shall be paid in the form of stocks or cash, and director and supervisor remuneration shall be paid in the form of cash. The payout shall be approved by more than one half of the directors present at the Board meeting attended by at least two-thirds of all directors, and shall be reported at the shareholders' meeting.

   Individuals eligible to receive stock or cash bonus in the preceding paragraph include employees of the Company's subsidiaries who meet certain criteria, which shall be discussed and decided by the Board of Directors.

2) The Basis of the Estimate of Employee Bonus and Director and Supervisor Remuneration, the Basis of Calculating Number of Shares where Stock Bonuses are Paid, as well as Accounting Treatment in Case of Deviation between the Amount of Actual Payment and the Estimate:

The deviation will be recognized as profit or loss in the following fiscal year.

3) Distribution of Employee Bonus Recommended by the Board

➢ The amount of employee cash bonus and director and supervisor remuneration. In the event that the amount of the actual payment of employee cash bonus and director and supervisor remuneration deviates from the estimate in the fiscal year where such payment is recognized as an expense, the difference of the value as well as reason for deviation and accounting treatment shall be disclosed

The Company has allocated NT$324,446,000 as employee cash bonus and NT$257,124,000 as director and supervisor remuneration in 2016. Given that the revenues and profitability of the Company in 2016 remained roughly the same as last year and taking into account the amount of payout in 2015, the proposal was reviewed by the Remuneration Committee and the Board has passed a resolution and recommends that NT$324,446,000 to be paid out as employee cash bonus and NT$264,748,000 as director and supervisor remuneration. Deviation between the estimate and actual payment amount will be recognized as profit (loss) in the 2017 Fiscal Year.

➢ Proposed employee stock bonus in percentage of after-tax earnings and total employee bonus in Fiscal Year 2016

The Company's 2016 profit distribution plan has been approved by the Board of Directors and no employee stock bonus was declared.

➢ The estimated earnings per share is NT$4.09 after the employee bonus and director and supervisor remuneration are paid out.

4) Employee Remuneration and Director and Supervisor Remuneration in the 2015 Fiscal Year

The following summarizes the employee remuneration and director and supervisor remuneration in the 2015 Fiscal Year:

Items	Approved Distribution (NT$)	Deviation	Reason for Deviation
Employee remuneration	321,913,299	—	N/A
Director and supervisor remuneration	255,116,290	—	N/A

Note: The Board of Directors of the Company is authorized to determine the remuneration of the directors based on director remuneration of comparable companies in the industry; provided, however, independent directors may not participate in the distribution of remuneration set forth in Article 36 of the Articles of Incorporation of the Company.

(9) Repurchase of the Company's shares: None

4.2 Corporate Bonds

Type of Bonds	Cheng Shin Rubber Ind. First Offering of Unsecured Ordinary Bonds of 2013	Cheng Shin Rubber Ind. First Offering of Unsecured Ordinary Bonds of 2014	Cheng Shin Rubber Ind. First Offering of Unsecured Ordinary Bonds of 2016
Issuance Date	August 19, 2013	July 18, 2014	September 26, 2016
Denomination	NT$1 million	NT$1 million	NT$1 million
Location of Issuance and Transaction	N/A	N/A	N/A
Issue Price	At Par	At Par	At Par
Total Amount	NT$3.8 billion	NT$4.8 billion	NT$5 billion
Coupon Rate	1.55%	1.4%	0.71%
Maturity	5 Years Maturity Date: August 19, 2018	5 Years Maturity Date: July 18, 2019	5 Years Maturity Date: September 26, 2021
Guarantor	None	None	None
Trustee	Taipei Fubon Commercial Bank	Mega International Commercial Bank	Mega International Commercial Bank
Underwriter	N/A	N/A	N/A
Legal Counsel	N/A	N/A	N/A
Auditor	Grace Hung and Steven Ko, PricewaterhouseCoopers Taiwan	Grace Hung and Steven Ko, PricewaterhouseCoopers Taiwan	Grace Hung and Steven Ko, PricewaterhouseCoopers Taiwan
Repayment	50% of the principal will be paid in the fourth year and the remaining 50% will be paid in the fifth year from the issue date	Repayment in lump sum at maturity	50% of the principal will be paid in the fourth year and the remaining 50% will be paid in the fifth year from the issue date
Outstanding Principal	NT$3.8 billion	NT$4.8 billion	NT$5 billion
Redemption or Early Repayment Clauses	None	None	None
Restrictive Clauses	None	None	None
Credit Rating	twA+ (Taiwan Ratings Corporation, May 2, 2013)	twA+ (Taiwan Ratings Corporation, February 21, 2014)	twA+ (Taiwan Ratings Corporation, February 25, 2016)

Other Rights of Bondholders	Amount of Common Shares, GDRs or Other Securities Converted, Exchanged or Subscribed as of the date of the Annual Report	N/A	N/A	N/A
	Method of Issuance and Conversion/Exchange/Subscription	N/A	N/A	N/A
Potential Dilutive Effects on other Shares and Impact on the Rights of Existing Shareholders due to Method of Issuance and Conversion/Exchange/Subscription or Terms of Issue		N/A	N/A	N/A
Custodian		N/A	N/A	N/A

4.3 Preferred Shares: None

4.4 Global Depository Receipts (GDR): None

4.5 Employee Stock Options and Employee Restricted Stocks: None

4.6 Issuance of New Shares due to Mergers and Acquisitions or Acquisition of Shares from other Companies: None

4.7 Financing Plans and Implementation

(1) Financing Plans

1) First Offering of Unsecured Ordinary Bonds of 2013

- Date of approval and approval document number: Jin Guan Zheng Fa Zi No.1020018282 issued by the Financial Supervisory Commission dated May 20, 2013
- Funds required for the project: NT$3,800,000,000
- Source of financing: first offering of unsecured ordinary bonds of NT$3,800,000,000
- Purpose of financing and progress of use:

in NT$1000

Project Item	Estimated Completion Date	Funds Required	Estimated Progress of Use		
			2013		2014
			Q3	Q4	Q1
Refinance(improving financial structure)	Q3 2013	$1,239,200	$1,239,200	-	-
Fund Working Capital	Q3 2013	$2,560,800	$2,560,800	-	-
Total		$3,800,000	$3,800,000	-	-

2) First Offering of Unsecured Ordinary Bonds of 2014

- Date of approval and approval document number: Jin Guan Zheng Fa Zi No. 1030021640 issued by the Financial Supervisory Commission dated June 6, 2014
- Funds required for the project: NT$4,800,000,000
- Source of financing: First offering of unsecured ordinary bonds of NT$4,800,000,000
- Purpose of financing and progress of use:

in NT$1000

Project Item	Estimated Completion Date	Funds Required	Estimated Progress of Use		
			2014		2015
			Q3	Q4	Q1
Refinance (improving financial structure)	Q3 to Q4 2014	$ 3,473,799	$ 2,651,133	$822,666	-
Fund Working Capital	Q3 2014	$ 1,326,201	$ 1,326,201	-	-
Total		$ 4,800,000	$ 3,977,334	$822,666	-

3) First Offering of Unsecured Ordinary Bonds of 2016

- Date of approval and approval document number: Zheng Gui Zhai Zi No. 10500276052 issued by the Taipei Exchange dated September 20, 2016
- Funds required for the project: NT$5,000,000,000
- Source of financing: First offering of unsecured bonds of NT$5,000,000,000
- Purpose of financing and progress of use:

in NT$1000

Project Item	Estimated Completion Date	Funds Required	Estimated Progress of Use
			2016
			Q3
Refinance (improving financial structure)	Q3 2016	$3,838,002	$3,838,002
Fund Working Capital	Q3 2016	$1,161,998	$1,161,998
Total		$5,000,000	$5,000,000

(2) Implementation Status

1) Status of Funds Used and Implementation

➢ First Offering of Unsecured Ordinary Bonds of 2013

in NT$1000

Project Item	Implementation Status		December 31, 2013	Reasons and Improvement Plans for Leading or Behind the Project Schedule
Refinance (improving financial structure)	Fund Used	Proposed	$1,239,200	Project Completed
		Used	$1,239,200	
	Status (%)	Proposed	100%	
		Used	100%	
Fund working capital	Fund Used	Proposed	$2,560,800	Project Completed
		Used	$2,560,800	
	Status (%)	Proposed	100%	
		Used	100%	

➢ First Offering of Unsecured Ordinary Bonds of 2014

in NT$1000

Project Item	Implementation Status		December 31, 2014	Reasons and Improvement Plans for Leading or Behind the Project Schedule
Refinance (improving financial structure)	Fund Used	Proposed	$3,473,799	Project Completed
		Used	$3,473,799	
	Status (%)	Proposed	100%	
		Used	100%	
Fund working capital	Fund Used	Proposed	$1,326,201	Project Completed
		Used	$1,326,201	
	Status (%)	Proposed	100%	
		Used	100%	

➢ First Offering of Unsecured Ordinary Bonds of 2016

in NT$1000

Project Item	Implementation Status		December 31, 2016	Reasons and Improvement Plans for Leading or Behind the Project Schedule
Refinance (improving financial structure)	Fund Used	Proposed	$3,838,002	Project Completed
		Used	$3,838,002	
	Status (%)	Proposed	100%	
		Used	100%	
Fund working capital	Fund Used	Proposed	$1,161,998	Project Completed
		Used	$1,161,998	
	Status (%)	Proposed	100%	
		Used	100%	

V. Operational Highlights

5.1 Business Activities

(1) Business Scope

1) Principal Businesses Activities

i. C801990 Other Chemical Materials Manufacturing.

ii. C802160 Sticky Tape Manufacturing.

iii. C804010 Tires Manufacturing.

iv. C804020 Industrial Rubber Products Manufacturing.

v. C804990 Other Rubber Products Manufacturing.

vi. CB01010 Machinery and Equipment Manufacturing.

vii. F112040 Wholesale of Petrochemical Fuel Products.

viii. F212050 Retail Sale of Petrochemical Fuel Products.

ix. F401010 International Trade.

x. ZZ99999 All business items that are not prohibited or restricted by law, except those that are subject to special approval.

2) Revenues by Product Category

The revenues from the Company's major products are as follows:

in NT$1000

Major Products	2016	
	Revenues	%
PCR	54,690,823	46.59%
TBR	20,355,958	17.34%
MC	16,023,130	13.65%
BC	6,954,871	5.92%
TUBE	5,598,745	4.77%
Other tires	14,680,676	12.51%
Other products	1,211,835	1.03%
Return, allowance, freight and insurance costs and others	-2,128,519	-1.81%
Total	117,387,519	100%

3) The Company's Current Products: PCR, TBR, MC, BC, TUBE and other tires.

4) New Products in Development

- Development of lightweight spare tires
- Development of sport motorcycle tires
- Research on high wind resistance technology for bike tires
- New product R&D project on tires for other vehicles
- Research project and new product development of TBR
- Research project on the technology of energy saver tires
- Product development of new generation MAXXIS PCR

(2) Industry Overview

1) Industry Situation and Development

With the domestic rapid economic development and the continuous development and innovation in this industry, tire businesses are also flourishing, which improves the industrial technology for higher level tires. The Company’s main products are the cover tires for automobiles and motorcycles. Due to the small market and limited road areas in Taiwan, as well as increasing importation after Taiwan's participation in the WTO, it is more difficult for marketing and sales of tires in Taiwan’s highly competitive market. In view of this, the Company will be dedicated to the development of tires with high performance, low rolling resistance, lightweight, safety and intelligence, so that the Company will be able to develop its market by continuously providing more leading products.

2) Relationship Among the Supply Chain

After developing for decades, the rubber industry in Taiwan has formed a complete supply chain with upstream, midstream and downstream, which is as follows:

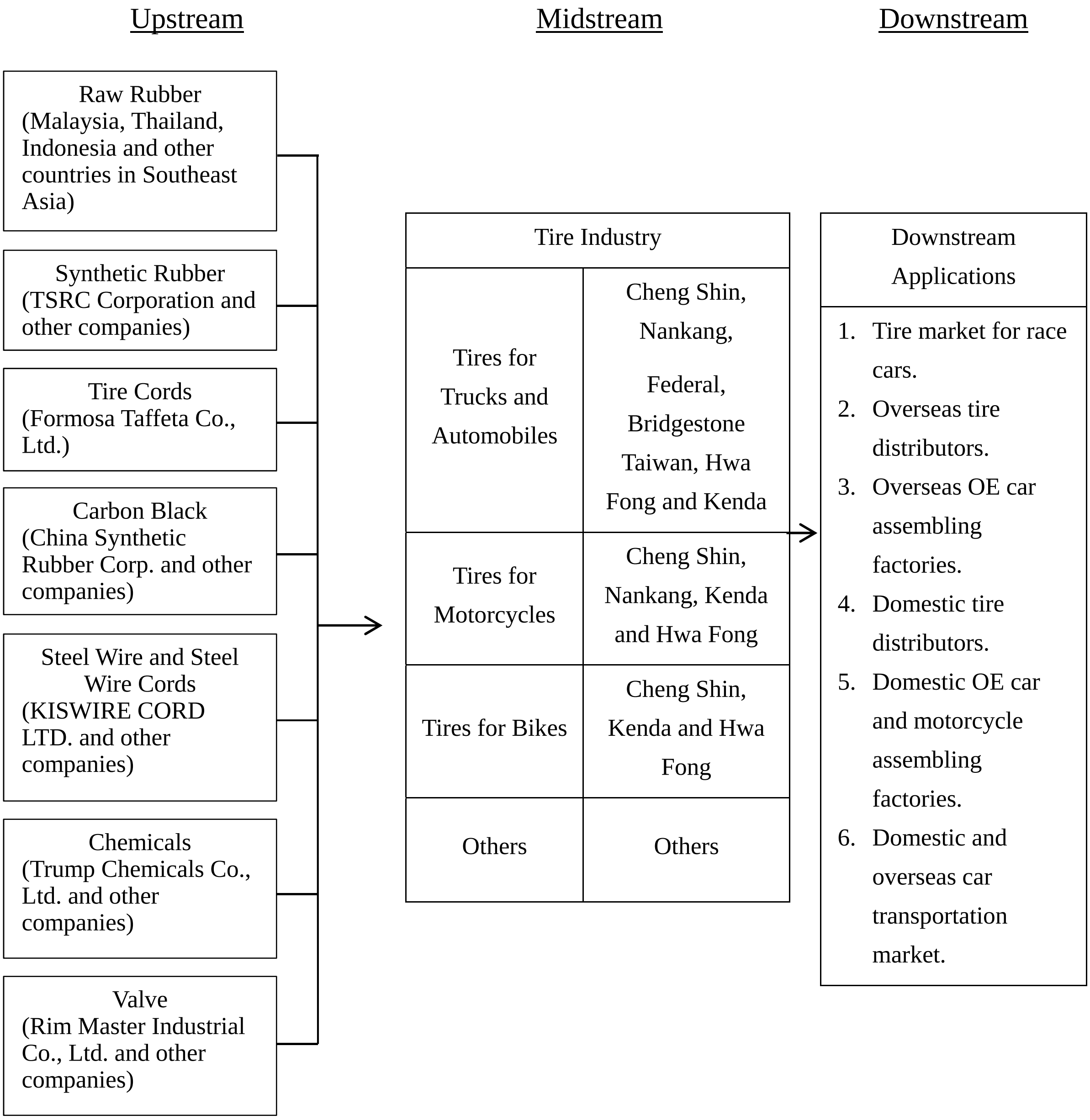
Upstream: capital intensive raw material industry.

Midstream: technology processing industry.

Downstream: consisting of the applications in tire market for racing cars, domestic and overseas OE car assembling factories, domestic and overseas tire distributors and car transportation market.

The diagram for upstream, midstream and downstream is as follows:

Diagram of Relationship Among Tire Industry in Taiwan



3) Information of The Development Trends And Competition of Products:

For the entire market of tire products, the traditional cross-ply tires have been replaced gradually by the radial tires and the main reason is that the radial tires are would be able to reduce the possibility of flat tires and would provide the effects of oil saving, abrasion resistance and driving safety. Also, the development trend of tire products is low profile and high performance tires. Due to market needs and higher consumers' needs for environmental quality, the Company plans to manufacture and provide high performance tires, low rolling resistance tires, safety tires, intelligent tires, steel wire radial tires and other new products. The Company would like to enhance its development power by improving its technology and increasing product diversity and would also like to develop and occupy the market by continuously expanding leading products.

(3) Overview on Technology, Research and Development

1) Costs of Research and Development During the Current Fiscal Year and as of the Date of the Annual Report

in NT$1000

Item \ Year	2016	As of March 31, 2017
Costs of Research and Development	4,830,118	1,188,097
Net Operation Income	117,387,519	28,641,252
Percentage	4.11%	4.15%

Note: Above information is from the Company's consolidated financial report.

2) Technology and Products Successfully Developed

- 25" OTR TIRE research and development
- C886 LTB/TB series research and development
- New generation motocross MX-HT series research and development
- MCR Steel raping building method for SPORT series research and development
- Tubular cyclocross racing tire research and development
- 700C high air pressure TLR construction techniques research and development
- Gravel road tire research and development
- Go Kart New generation tire K19 research and development
- ATV L.W New generation tire research and development
- ATV LT style 18" tire research and development
- Bighorn 3 New generation tire research and development
- MAXXIS-VICTRA RACING TIRE_VRI research and development
- MAXXIS NEW GENERATION SUV ALL SEASON TIRE research and development
- MAXXIS NEW GENERATION LTR ALL SEASON TIRE research and development
- MAXXIS-RAZR MT 772 research and development
- PRESA-PJ66 SUV TIRE research and development
- Coach 295/80R22.5 LRR tire research and development
- European 315/70R22.5 Low aspect Bib steer research and development
- European 315/70R22.5 Low aspect Drive tire research and development
- LTS On-Off Road 9.5R17.5 UL387 research and development
- Southeast Asia 295/80R22.5 MT212 Trailer Tire research and development

(4) Long Term and Short Term Business Development Plan

1) Short Term Business Development Plan

- Conducting business on the current business basis, continuously developing products for all series and developing sales models fitting for different local markets.
- Carrying out a reasonable and flexible production procedure in order to reach the most proper operational business scale between production and sale; carrying out quality management in all aspects and striving for the goal of best quality.

2) Long Term Business Development Plan

- Continuously enhancing quality and developing private brands and increasing market share in order to establish globally complete distribution channels and brand management strategy.
- Continuously conducting research and development activities, maintaining the market leading position of manufacture technology and fully taking advantage of economies of scale for mass production.

5.2 Market and Sales Overview

(1) Market Analysis

1) Analysis of Overseas Market

- Distribution Regions: market analysis is made based on our distribution regions—North America, Central and South America, Europe, Middle East and Africa, Asia, and Oceania.
- Market Shares: Our revenue has remained at the top in Taiwan and we are the largest tire manufacturer in the Chinese-speaking region. The world renowned tire magazines, Tyres & Accessories and Tire Business, reported us as the 9th largest global tire manufacturer.
- Future Market Supply and Demand and Prospect

  Cheng Shin's unceasing efforts in new product development have enabled us to continue as the No.1 brand in the China tire market since 2015 with recognition. In 2016, our HP5 tires were ranked 3rd in a European Magazine tire test, ahead of several major global tire brands, and were ranked No.1 in an Australian Magazine tire test in all season performance. We have been adding new specifications to the RFTs (Run Flat Tires), which are sold to more than 30 countries from our facilities in China. The optimum performance of these tires have received popularity on the market.

  We have also made some breakthroughs in the development of our overseas market. Toyota's best-selling model Corolla Altis manufactured in Taiwan features MAXXIS tires. These cars have been distributed to the Middle East regions and received recognition from local car owners. As the automotive industry in India is viewed as a potentially lucrative market, we continue to supply our Cheng Shin MAXXIS tires to the top three automotive factories in India, TATA, Maruti Suzuki and Mahindra & Mahindra for their car models, with an aim to enhance brand image and boost presence. While continuing to supply spare tires for Toyota vehicles assembled in North America, we have also successfully completed our spare tire development project for some of the best-selling car models of Subaru, becoming part of Subaru's supply chain in North America. In Mexico, several best-selling Nissan car models are equipped with Cheng Shin MAXXIS tires as well.

We have sold our products in over 180 countries worldwide. In addition to our strategic mapping of the overseas repairs market, we actively expand our distribution channels and locations. With the rapid growth of emerging markets and sustained economy recovery in the North America region, the global automotive industry is thriving and boosting demands for vehicle tires. Since the economic recession, the automotive industry has been growing at a steady pace, further fueling the strong demands in certain markets, such as China, Brazil, India, Mexico, and the Middle East. As a result, major tire manufacturers around the world continue to invest in building new facilities to meet the anticipated demands in these markets.

With respect to our global strategy, we have offices set up in Dubai, Brazil, Panama, India and Indonesia, and we plan to assign staff in some of the countries with growth potential, including Saudi Arabia, Netherlands, and Mexico to strengthen development of local markets and enhance customer satisfaction. Our existing offices in other countries have proven to be beneficial to the local market development.

The completion of our manufacturing facilities in Douliou Taiwan, Chongqing and Xiamen Jimei factory in China and their participation in production have made Cheng Shin's global presence more integrated and the Group's global allocation of sales and internal resources more efficient. The internationally regulated trial-run facility in Shanghai is by far the most comprehensive tire test facility in Asia, which highlighted Cheng Shin's efforts to stand out in the industry. On the other hand, our strategy for the Asia region focuses on the demands of India's local market and the growth of ASEAN markets. After two years of preparation, our facilities in India will officially begin production. Our investment in the local motorcycle market is aimed to reap the benefits from the 18 million motorcycle sales in volume per year. Once we begin production, we will directly supply motorcycle tires to assembly factories. In Indonesia, since the commencement of the building of manufacturing facilities in 2016, we have been sending employees from different departments to be stationed at the factories to provide support. Our sales team have also been in close contact with local distribution networks to ensure smooth launching upon the completion of construction. The Indonesia facilities are projected to begin production in the second quarter of 2017. Our strategy to focus on markets in India and Indonesian is expected to boost the future growth of our Group. Going forward, we will continue to recruit local technicians and sales force to increase the brand's local exposure and support customer services with an aim to demonstrate our 100% service quality.

- Competitive Edge

Our core beliefs are deeply rooted in every member of the Maxxis Family. Under the leadership of our Chairman, Lo Tsai Ren, we have established the four primary systems—Enterprise Resource Planning System (ERP), Manufacturing Execution System (MES), Product Lifecycle Management (PLM), and Customer Relationship Management (CRM), which will be introduced progressively to each manufacturing facility of Cheng Shin. Through the integration of Group resources, we are able to expand existing production capacity and manufacturing facilities to enhance our strategic, organizational, and technological capabilities. With these upgrades, we are confident in our ability to deliver continued revenue growth and attain our presence in the global tire industry.

Our new brand "PRESA" introduced through a differentiated distribution network from MAXXIS has secured a leading position in the market and continues to gain market share. We also introduced different products under the PRESA brand, such as LTR and TBR, to cater to market demands.

In 2016, Cheng Shin is recognized as one of the Top 10 Global Brands in Taiwan for the 14th consecutive year, an honor sponsored by the Bureau of Foreign Trade of the Ministry of Economic Affairs, Taiwan External Trade Development Council and Interbrand, a global brand consultancy. Cheng Shin's brand value is estimated to be USD 317 million. Cheng Shin adopts a global diversified brand-name strategy for its Cheng Shin, MAXXIS and PRESA brand names in line with different cultures. Our products are marketed with English brand names which incorporate elements of the western cultures to cater to western consumers. The Cheng Shin brand name, on the other hand, has been widely known in the Greater China region and recognized as the best-selling brand under a well-known trademark in China. In the future, we aim to raise brand name recognition in the market, participate in auto shows in Taiwan and overseas, sponsor major sports events and grow consumers' appreciation of our brand names with a diversified strategy.

Cheng Shin has made significant improvements to its products by strengthening technical cooperation with raw material suppliers such as Degussa and Exxon. We seek to strike an ideal mechanical balance between treads and structure with the unique and innovative VIP (Virtual Intelligence Prototyping)/automated intelligent prototype design technique. There have been multiple research papers published in internationally renowned journals such as International Journal of Vehicle Design (UK) and International Journal of Materials and Product Technology (USA).

➢ Advantages and Disadvantages for Developmental Vision and Action Plans

<u>Advantages</u>

At the joint efforts of our factory building workers, our facilities in Indonesia and India are expected to begin production in 2017.

The additional production capacity will help us cater to the rising tire demand and increase Cheng Shin's market share. Under the CEPT (Common Effective Preferential Tariff) Scheme of ASEAN, regional growth strengthened. The geographic advantages of our facilities in Indonesia, Thailand and Vietnam will readily support the supply in emerging markets and enable us to provide more competitive products to the consumers by keeping production local. By the collaboration with global automakers, we have made significant progress in promoting our tires for some of the best-selling car models around the world. These efforts are steps taken towards increasing our product exposure and market share in new markets.

Amid a global trend of consumption contraction, consumers are becoming more price-sensitive in making tire replacement purchases. Compared with tire manufacturers in Europe, America and Japan, Cheng Shin maintains a leading position in the market by providing more competitive products with outstanding quality and affordable prices, which creates a great opportunity for us to gain market share.

<u>Disadvantages</u>

As the volume of procurement was affected by volatile currency fluctuation due to political instability in the emerging markets, some tire manufacturers began to build factories and expanded their production capacity to join the local supply chain, posing a challenge to our competitiveness. In 2016, oil prices tanked and negatively impacted the costs of raw materials.

We closely monitor the fluctuation in market supply and demands and make price adjustments when appropriate. We also share market intelligence with regional distributors proactively to replace less competitive products with capacity-efficient mass productions having higher added value to respond to the increasing market demands and constantly changing competitive environment.

2) Analysis of Domestic Market

- 2016 Domestic Market Overview

  In Taiwan, export trades were impacted by the slowdown of global economic growth in 2016. The investigation by the United States International Trade Commission on antidumping and countervailing duties has caused Chinese tire manufacturers to change strategies and undersell products to gain market share, hence changing the game in the tire market. As a result, only by continuous investments in R&D and product innovation, building brand image, developing positive and strong consumer preference, and creating product differentiation will we be able to secure a competitive advantage amidst a highly competitive market and maintain a sustainable business.

  Economic activities in Taiwan remained sluggish in 2016. The domestic tourism industry took a hard hit by the plunge in Chinese tourist arrivals, which also negatively impacted the tour bus industry. However, at the boost of our operational strategies, not only did we maintain our leading position in market share, we also achieved multiple sales records last year.

  Our “Triple 3” concept created sets forth the core values of the Company—100% Quality, 100% Service, 100% Trust. We uphold these values in the R&D activities with a goal to provide our customers with the best quality products and services. In 2015, the HP5 tire was named “Tire of the Year” at the annual Tire of the Year Awards given by Motor Trend Magazine in China. Last year, HP5 was ranked No.1 in the performance test by the Australian-based company, Driving Solutions, and awarded third place by Professional Driver Magazine. Our products are the pride of Taiwan, outperforming other leading tire brands in Europe, the US, and Japan and received global media recognition. With effective strategies and synergies, we are prepared to take advantage of new opportunities for profitable growth.

- 2017 Visions

  In response to a trend of separation of production and distribution as well as professional management in the tire industry, we incorporated MAXXIS Trading Company Limited to handle domestic distribution of our tire products. Through specialization and division, we aim to expand our distribution channels and market share by maximizing the effectiveness of each department. We are confident that we can achieve new performance targets and market development amidst organizational changes.

  Although our products have the biggest market share in Taiwan, we will continue to pursue breakthroughs in 2017. Our focus is particularly on the following strategic objectives—driving the tire repair market (RE) with the new vehicles market (OE), and boosting the new vehicles market (OE) with the tire repair market (RE). In addition to achieving higher sales volume, we uphold the customer value proposition (CVP) in our research and development of quality products. By building up our brand image and enhancing brand preference, we believe that we can drive continuous growth of MAXXIS tires with appropriate strategic planning.

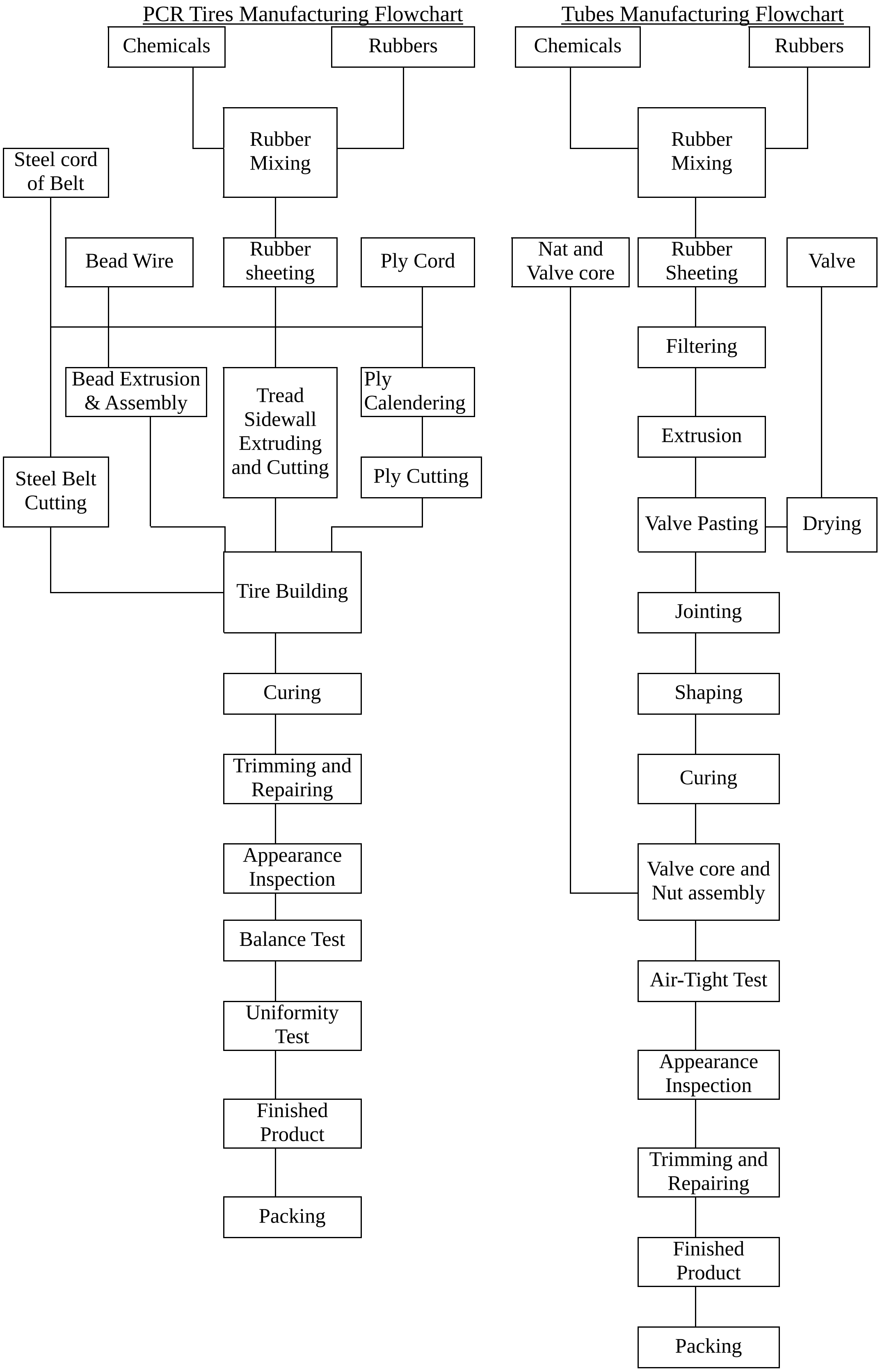
  Giving back to the society—while pursuing business growth, we continue to fulfill our social responsibility by making social contributions. It is our commitment to extend love and care to the underprivileged and needy in the local communities and to invite public participation in making history here at Cheng Shin.

(2) Key Functions and Manufacturing Process of Core Products

Core Products: tires

Functions: transportation

Manufacturing Process:



(3) **Supply of Key Materials**

Materials	Quantity (ton)	Suppliers
Raw Rubber	271,330	Sintex Chemical Corp., etc.
Synthetic Rubber	233,790	TSRC Corporation, etc.
Tire Cords	50,971	FORMOSA TAFFETA Co., Ltd. , etc.
Carbon Black	251,636	China Synthetic Rubber Corporation, etc.
Steel Wire and Steel Wire Curtain Cloth	100,981	KISWIREARCELORMITTAL LTD, etc.
Chemicals	123,430	TRUMP CHEMICAL CORPORATION, etc
Tire Valves	153,810,000	Rim Master Industrial Co., Ltd., etc.

(4) Customers with 10% or More of Total Procurement/Distribution, Amount and Percentage in Any Given Year within the Most Recent Two Years

1) Suppliers with 10% or More of the Procured Amount

in NT$1000

	2015				2016				As of March 31, 2017			
Item	Name	Amount	Percentage in Total Net Supply (%)	Relationship with the Company	Name	Amount	Percentage in Total Net Supply (%)	Relationship with the Company	Name	Amount	Percentage in Total Net Supply (%)	Relationship with the Company
1	N/A	-	-	-	N/A	-	-	-	N/A	-	-	-
	Net Supplied Amount	55,455,021	100.00	-	Net Supplied Amount	58,228,083	100.00	-	Net Supplied Amount	17,886,328	100.00	-

2) Customers with 10% or More of the Operating Revenue

in NT$1000

	2015				2016				As of March 31, 2017			
Item	Name	Amount	Percentage in Total Net Supply (%)	Relationship with the Company	Name	Amount	Percentage in Total Net Supply (%)	Relationship with the Company	Name	Amount	Percentage in Total Net Supply (%)	Relationship with the Company
1	N/A	-	-	-	N/A	-	-	-	N/A	-	-	-
	Net Dstb. Amount	116,726,293	100.00	-	Net Dstb. Amount	117,387,519	100.00	-	Net Dstb. Amount	28,641,252	100.00	-

Note: Customers with 10% of more of the total procurement/distribution, amount and percentage in any given year within the most recent two years and their reasons for change. Codes may be used for parties that may not be disclosed pursuant to a contract term or that are a non-related party individual.

(5) Production Volume of the Most Recent Two Years

Unit in Thousands; in NT$1000

Year / Production Volume / Major Products	2015			2016		
	Production Capacity	Production Volume	Value of Production	Production Capacity	Production Volume	Value of Production
Radial cover - car	55,564	42,792	36,087,643	54,039	46,108	36,104,657
Radial cover - truck	6,348	3,132	14,768,741	6,168	4,011	15,998,505
Motorcycle cover	59,148	50,541	9,544,698	68,718	60,848	10,011,823
Bicycle cover	115,629	78,904	4,541,906	121,749	68,937	3,602,947
Inner tube	185,413	126,901	3,496,245	158,256	138,624	3,258,276
Other tires	19,314	15,895	9,521,673	24,918	18,292	9,431,478
Other products (Note)	-	-	421,931	-	-	391,348
TOTAL	441,416	318,165	78,382,837	435,358	336,820	78,799,035

Note: Other products: rubber and tire related industrial products

(6) Sales Value of the Most Recent Two Years

Unit in Thousands; in NT$1000

Year / Sales Value / Major Products	2015				2016			
	Domestic Sales		Overseas Sales		Domestic Sales		Overseas Sales	
	Quantity	Value	Quantity	Value	Quantity	Value	Quantity	Value
Radial cover - car	26,745	34,239,778	16,078	19,844,336	29,389	34,932,548	17,137	19,758,275
Radial cover - truck	2,655	16,041,668	471	2,951,848	3,424	17,531,607	528	2,824,351
Motorcycle cover	44,783	12,349,437	5,954	3,544,603	54,670	12,597,732	6,026	3,425,398
Bicycle cover	59,874	6,073,417	21,800	2,793,563	52,712	4,475,348	18,898	2,479,523
Inner tube	77,652	3,762,287	52,941	2,147,669	85,536	3,487,106	53,927	2,111,640
Other tires	9,308	9,397,890	6,568	5,456,041	10,232	8,907,651	6,785	5,773,025
Other products (Note)	-	1,010,111	-	295,327	-	891,812	-	320,023
Sales return and allowances	-	-1,208,830	-	-66,793	-	-1,049,006	-	-131,340
Transaction and insurance costs	-	-1,882,164	-	-148,405	-	-1,682,694	-	-197,469
Others	-	-	-	124,510	-	-	-	931,987
TOTAL	221,017	79,783,594	103,812	36,942,699	235,963	80,092,104	103,301	37,295,415

Note: Other products: rubber and tire related industrial products. Others: operating revenue not attributable to tire manufacturing business

5.3 Employee Composition Analysis within the Most Recent Two Years

Year		2015	2016	As of March 31, 2017
Number of Staff	Technician	5,389	5,458	5,697
	Administration	2,979	2,676	2,889
	Factory Workers	16,139	21,771	24,435
	Total	24,507	29,905	33,021
Average Age		31	32	32
Average Seniority		5	6	5
Distribution of Academic Degrees	Ph.D	8	13	71
	Masters	465	645	712
	Bachelors (community college)	6,892	7,502	7,766
	High School Diploma	10,857	10,618	11,694
	Others	6,285	11,127	12,782

5.4 Environmental Related Expenditure

The Company is not subject to any material loss or sanction as a result of environmental pollution issues in the latest year and as of the date of the Annual Report.

Any circumstances to which the EU RoHS is applicable: None

5.5 Labor

(1) Current Material Labor Related Agreements and Implementation

1) Key Employee Benefits

For the welfare of our employees, we provide benefits in addition to salaries to our employees that are more preferential than what’s required under the law. The welfare of the Company can be divided into the following two categories: statutory benefits as provided by the law and Company benefits as provided by the Company.

Statutory benefits: social insurance, public holidays, healthcare, and pension.

Living benefits: meals, uniform, housing, parking, and store discounts.

Holiday souvenirs: bonus and/or gifts for Chinese New Year, Dragon Boat Festival and Mid-Autumn Festival, year-end bonus, and year-end party allowance.

Employee support: medical allowance, condolence payments, wedding/funeral/disability benefits, event allowance, scholarship for employees’ children.

Maternity/paternity leave: we also provide maternity/paternity benefits to our employees pursuant to the law. In 2016, the number of employees applied for maternity/paternity leave is as follows:

Item	Male	Female	Total
Employees applied for maternity/paternity leave in 2016	12	23	35
Employees expected to be on maternity/paternity leave in 2016	9	14	23
Employees returning from maternity/paternity leave in 2016	4	10	14
Rate of returning to work (B/A)	44%	71%	61%

2) Employee Education and Training

We are committed to building a continuous and fulfilling learning environment for employee education and training purposes. Under this core value, we adopted "Rules Governing Education and Training" to plan training courses based on professional skills required for each department, and offer developmental opportunities to the entity and individuals by way of internal and external trainings. We also provide general-knowledge, technical and management training classes targeted at different job functions and levels of employees to enhance their professional and management skills. We invite outside experts to give lectures, and train speakers from within the Company as part of the conveyance of important knowledge and know-how of the Company, thereby sustaining our corporate culture and strengthening employee competitiveness.

In 2016, we offered 2,125 classes by job functions and 125 classes by job levels, with the attendance of 41,197 people for a total of 84,792 hours. The total cost of training was NT$ 13.27 million.

- New employee training: aimed to provide new employees with an orientation to the Company and corporate culture to help them adapt to the new environment and fit into the culture of the organization.
- Training by job function: professional skills training courses designed to cater to different job functions, such as production management, research and development, and quality assurance, which are aimed to provide employees with a comprehensive training at each stage of their career development, and help them achieve self-realization and reach their potential through work.
- Training by job level: a series of topical courses designed for different job levels to improve employees' management skills and workplace efficiency.
- Project-based programs: a variety of project-based programs designed to meet the employees' learning needs in different areas based on the annual training target.
- Personal development: we provide opportunities for our employees to acquire new knowledge by offering financial support for language learning and hosting talks on topics such as coffee and lifestyle, health, labor laws and regulations.

Cheng Shin offers a variety of learning channels and resources. Other than on-the-job training and on-site demonstrations, we also emphasize the integration of theoretical knowledge and practical experiences.

3) Retirement Systems

We comply with the requirements of the Labor Standards Act and Labor Pension Act.

- Old pension system: The Company sets aside 2% of the employee's total salary each month as pension funds and deposit it to the designated account under the name of the Labor Pension Funds Supervisory Committee at the Bank of Taiwan. Before the end of each year, the Company shall assess the balance in the designated account. If the total available amount of the appropriation is less than the amount required for the payment of pensions to all the employees who are eligible to retire in the following year, calculated according to the above method, the Company will make up the deficiency in one single appropriation before the end of March in the following year. As of December 31, 2016, the amount of pension funds recognized by the Company under the old pension system was NT$757,958,000.
- New pension system: The new pension system is available to all employees who came onboard as of July 1, 2005. If an employee chooses to be subject to the new pension system, the Company will appropriate a set amount of pension funds into such employee's personal bank account (appropriation by the Company). Alternatively, the employee may appropriate 1-6% as pension funds to his/her personal bank account (appropriation by the employees). As of December 31, 2016, the amount of pension funds recognized by the Company under the new person system was NT$116,182,000.

4) Employee Satisfaction: The Company has been conducting employee satisfaction survey since 2016. The survey includes the following areas: job duties, work environment, education and training, salary and benefits. The employee satisfaction survey is one of the many measures we've taken to receive employee feedbacks. We take the results of the survey as a point of reference to improve company policies. The average score on the employee satisfaction survey in 2016 was 74.3, in which we scored the highest on "employee relationships" at 86.3, indicating harmony between our employees.

5) Other Key Understanding: to be mutually agreed by the union and the Company.

(2) The Company is neither subject to any loss arising from labor disputes in the latest year and as at the date of this Annual Report, nor a party to any material labor dispute since incorporation. We do not expect any loss arising from labor disputes.

5.6 Material Contracts: None

VI. Financial Highlights and Analysis

6.1 The Condensed Balance Sheet , Consolidated Income Statement over the past five years, names of the Certified Public Accountants and their audit opinions:

(1) Consolidated condensed balance sheet —International Financial Reporting Standards (IFRS)

Expressed in Thousand New Taiwan Dollars

Description \ Years		Financial data over the past 5 years					Financial information as of March 31, 2017
		2012	2013	2014	2015	2016	
Current assets		48,552,667	52,160,423	55,176,245	52,347,130	58,153,934	62,774,806
Real estate, plants and equipment		97,409,156	104,394,750	109,430,271	106,476,804	103,156,284	100,706,952
Intangible assets		-	-	-	-	-	-
Other assets		5,753,304	5,673,299	5,263,851	7,134,288	6,854,508	7,328,915
Total assets		151,715,127	162,228,472	169,870,367	165,958,222	168,164,726	170,810,673
Current liabilities	Before distribution	39,551,087	40,480,115	40,585,092	37,390,371	39,786,698	42,254,750
	After distribution	43,196,224	50,204,361	-	-	-	-
Non-current liabilities		49,337,722	42,348,869	40,728,250	38,615,267	40,108,640	41,611,657
Total liabilities	Before distribution	88,888,809	82,828,984	81,313,342	76,005,638	79,895,338	88,866,407
	After distribution	93,116,742	92,553,230	-	-	-	-
Equity belonging to the parent company proprietor		62,279,342	78,814,105	87,763,394	89,161,137	87,493,251	86,183,401
Share capital		28,186,222	32,414,155	32,414,155	32,414,155	32,414,155	32,414,155
Capital reserve		52,576	52,576	52,576	52,576	52,576	52,576
Retained earnings	Before distribution	35,409,675	45,580,467	51,849,891	54,875,387	58,334,342	60,254,898
	After distribution	26,953,809	35,856,221	-	-	-	-
Other equity		(1,369,131)	766,907	3,446,772	1,819,019	(3,307,822)	(6,538,228)
Treasury stocks		-	-	-	-	-	-
Non-controlled equity		546,976	585,383	793,631	791,447	776,137	760,865
Total equity	Before distribution	62,826,318	79,399,488	88,557,025	89,952,584	88,269,388	86,944,266
	After distribution	58,598,385	69,675,242	-	-	-	-

Note : Financial information regarding the first quarter of 2017 follows IFRS and has been verified by independent auditors.

(2) Condensed Individual Balance Sheet —International Financial Reporting Standards (IFRS)

Expressed in Thousand New Taiwan Dollars

Descriptions \ Year		Financial data over the past 5 years				
		2012	2013	2014	2015	2016
Current assets		11,518,917	13,122,942	15,519,993	14,386,034	17,330,482
Real estate, plants and equipment		17,332,788	17,733,212	17,296,891	16,761,445	16,052,715
Intangible assets		-	-	-	-	-
Other assets		63,241,716	78,422,130	88,671,730	91,303,809	89,435,797
Total assets		92,093,421	109,278,284	121,488,614	122,451,288	122,818,994
Current liabilities	Before distribution	6,744,577	8,867,672	7,831,311	5,490,673	9,408,116
	After distribution	10,972,510	18,591,918	-	-	-
Non-current liabilities		23,069,502	21,596,507	25,893,909	27,799,478	25,917,627
Total liabilities	Before distribution	29,814,079	30,464,179	33,725,220	33,290,151	35,325,743
	After distribution	34,042,012	40,188,425	-	-	-
Profit and/or loss that belongs to the parent company proprietor		62,279,342	78,814,105	87,763,394	89,161,137	87,493,251
Share capital		28,186,222	32,414,155	32,414,155	32,414,155	32,414,155
Capital reserve		52,576	52,576	52,576	52,576	52,576
Retained earnings	Before distribution	35,409,675	45,580,467	51,849,891	54,875,387	58,334,342
	After distribution	26,953,809	35,856,221	-	-	-
Other equity		(1,369,131)	766,907	3,446,772	1,819,019	(3,307,822)
Treasury Stock		-	-	-	-	-
Non-controlled equity		-	-	-	-	-
Total equity	Before distribution	62,279,342	78,814,105	87,763,394	89,161,137	87,493,251
	After distribution	58,051,409	69,089,859	-	-	-

Note : Financial information regarding the fourth quarter of 2016 follows IFRS and has been verified by independent auditors.

(3) Consolidated condensed balance sheet —Financial Accounting Standards of the Republic of China

Expressed in Thousand New Taiwan Dollars

Descriptions \ Year		Financial data over the past 5 years	
		2011	2012
Current assets		53,274,447	48,687,692
Funds& investments		751,732	604,892
Fixed assets		83,209,786	96,474,623
Intangible assets		4,338,269	4,121,127
Other assets		1,211,330	1,202,438
Total assets		142,785,564	151,090,772
Current liabilities	Before distribution	37,318,672	39,463,896
	After distribution	40,780,138	43,691,829
Long-term liabilities		50,452,979	44,641,571
Other liabilities		2,752,511	3,558,234
Total liabilities	Before distribution	90,524,162	87,663,701
	After distribution	93,985,628	91,891,634
Share capital		24,724,756	28,186,222
Capital reserve		127,934	92,185
Retained earnings	Before distribution	23,860,949	32,832,047
	After distribution	16,938,017	24,376,181
Unrealized profit and/or loss of financial products		(14,796)	(3,013)
Cumulative translation adjustment		2,536,220	1,205,851
Net loss not recognized as pension costs		(265,851)	(289,563)
Total equity	Before distribution	52,261,402	63,427,071
	After distribution	48,799,936	59,199,138

Note : Financial information regarding the fourth quarter of 2012 follows ROC GAAP and has been verified by independent auditors.

(4) Condensed Individual Balance Sheet －Financial Accounting Standards of the Republic of China

Expressed in Thousand New Taiwan Dollars

Descriptions \ Year		Financial data over the past 5 years	
		2011	2012
Current assets		9,814,000	11,623,219
Funds & Long-term investments		53,819,208	63,686,922
Fixed assets		14,280,287	17,231,849
Intangible assets		0	0
Other assets		449,127	432,098
Total assets		78,362,622	92,974,088
Current liabilities	Before distribution	4,846,192	7,265,899
	After distribution	8,307,658	11,493,832
Long-term liabilities		18,799,546	19,987,650
Other liabilities		2,376,671	2,325,809
Total liabilities	Before distribution	26,537,142	30,094,091
	After distribution	29,998,608	34,322,024
Share capital		24,724,756	28,186,222
Capital reserve		127,934	92,185
Retained earnings	Before distribution	23,860,949	32,832,047
	After distribution	16,938,017	24,376,181
Unrealized profit and/or loss of financial products		(14,796)	(3,013)
Cumulative translation adjustment		2,536,220	1,205,851
Net loss not recognized as pension cost		(265,851)	(289,563)
Total equity	Before distribution	51,825,480	62,879,997
	After distribution	48,364,014	58,652,064

Note : Financial information regarding the fourth quarter of 2012 follows ROC GAAP and has been verified by independent auditors.

(5) Condensed Consolidated Income Statement －International Financial Reporting Standards (IFRS)

Expressed in Thousand New Taiwan Dollars

Year / Descriptions	Financial data over the past 5 years					Financial information as of March 31, 2017
	2012	2013	2014	2015	2016	
Operating revenues	130,242,287	133,086,543	129,014,062	116,726,293	117,387,519	28,641,252
Gross operating profit	30,669,059	35,327,795	35,900,504	35,557,792	36,289,109	7,350,580
Operating profit and/or loss	19,122,401	22,214,771	21,189,739	18,620,380	18,671,582	3,191,954
Non-operating revenues and expenditures	255,108	1,046,270	81,057	(1,144,177)	(776,596)	(511,892)
Net profit before tax	19,377,509	23,261,041	21,270,796	17,476,203	17,894,986	2,680,062
Net profit this term of continuing operation	16,001,378	18,641,919	16,111,617	12,839,214	13,346,481	1,944,277
Loss of the discontinued operation	-	-	-	-	-	-
Net profit this term	16,001,378	18,641,919	16,111,617	12,839,214	13,346,481	1,944,277
Other consolidated profit and/or loss this term(Net amount after tax)	(1,390,965)	2,159,184	2,770,166	(1,719,409)	(5,305,431)	(3,269,399)
Net consolidated profit and/or loss this term	14,610,413	20,801,103	18,881,783	11,119,805	8,041,050	(1,325,122)
Net profit that belongs to the parent company proprietor	15,928,385	18,548,522	16,015,591	12,776,655	13,250,903	1,920,556
Net profit that belongs to non-controlled equity	72,993	93,397	96,026	62,559	95,578	23,721
With the aggregate total of consolidated profit and/or loss belonging to the parent company proprietor	14,500,219	20,762,696	18,673,535	11,121,989	8,056,360	(1,309,850)
Consolidated profit and/or loss that belongs to non-controlled equity	110,194	38,407	208,248	(2,184)	(15,310)	(15,272)
Earnings per share (EPS)	4.91	5.72	4.94	3.94	4.09	0.59

Note : Financial information regarding the first quarter of 2017 follows IFRS and has been verified by independent auditors.

(6) Condensed individual consolidated income statement －International Financial Reporting Standards (IFRS)

Expressed in Thousand New Taiwan Dollars

Year / Descriptions	Financial data over the past 5 years				
	2012	2013	2014	2015	2016
Operating revenues	25,093,877	23,837,290	23,639,942	21,348,480	20,637,507
Gross operating profit	5,004,358	6,089,270	6,989,114	7,284,573	6,748,196
Operating profit and/or loss	1,582,167	2,340,006	3,037,576	3,186,455	2,845,044
Non-operating revenues and expenditures	15,766,224	18,144,414	15,464,226	12,229,973	12,795,689
Net profit before tax	17,348,391	20,484,420	18,501,802	15,416,428	15,640,733
Net profit this term of continuing operation	15,928,385	18,548,522	16,015,591	12,776,655	13,250,903
Loss of the discontinued operation	-	-	-	-	-
Net profit this term	15,928,385	18,548,522	16,015,591	12,776,655	13,250,903
Other consolidated profit and/or loss this term(Net amount after tax)	(1,428,166)	2,214,174	2,657,944	(1,654,666)	(5,194,543)
Net consolidated profit and/or loss this term	14,500,219	20,762,696	18,673,535	11,121,989	8,056,360
Net profit that belongs to the parent company proprietor	15,928,385	18,548,522	16,015,591	12,776,655	13,250,903
Net profit that belongs to non-controlled equity	-	-	-	-	-
With the aggregate total of consolidated profit and/or loss belonging to the parent company proprietor	14,500,219	20,762,696	18,673,535	11,121,989	8,056,360
Consolidated profit and/or loss that belongs to non-controlled equity	-	-	-	-	-
Earnings per share (EPS)	4.91	5.72	4.94	3.94	4.09

Note : Financial information regarding the fourth quarter of 2016 follows IFRS and has been verified by independent auditors.

(7) Condensed Consolidated Income Statement－Financial Accounting Standards of the Republic of China

Expressed in Thousand New Taiwan Dollars

Year / Descriptions		Financial data over the past 5 years	
		2011	2012
Operating revenues		119,960,616	130,269,373
Gross operating profit		21,093,132	30,668,099
Operating profit and/or loss		11,614,719	19,118,480
Non-operating revenues		644,334	1,727,602
Non-operating expenses		1,396,206	1,459,718
Profit and/or loss before tax of department in continued operation		10,862,847	19,386,364
Profit and/or loss of continuing operation		8,587,316	15,967,023
Profit and/or loss of discontinued operation		-	-
Extraordinary profit and/or loss		-	-
Accumulated effect on change in accounting principles		-	-
Net income		8,587,316	15,967,023
Earnings per share (EPS)	Before distribution	3.45	5.64
	After distribution	3.03	4.91

Note : Financial information regarding the fourth quarter of 2012 follows ROC GAAP and has been verified by independent auditors.

(8) Condensed Individual Income Statement－Financial Accounting Standards of the Republic of China

Expressed in Thousand New Taiwan Dollars

Year / Descriptions		Financial data over the past 5 years	
		2011	2012
Operating revenues		24,460,652	25,093,877
Gross operating profit		3,955,874	4,924,080
Operating profit and/or loss		1,012,965	1,544,176
Non-operating revenues and gains		8,707,275	16,393,419
Non-operating expenses and losses		350,770	580,350
Profit and/or loss before tax of department in continuing operation		9,369,470	17,357,245
Profit and/or loss of continuing operation		8,536,484	15,894,030
Profit and/or loss of discontinued operation		-	-
Extraordinary profit and/or loss		-	-
Accumulated effect on change in accounting principles		-	-
Net income		8,536,484	15,894,030
Earnings per share (EPS)	Before distribution	3.45	5.64
	After distribution	3.03	4.90

Note : Financial information regarding the fourth quarter of 2012 follows ROC GAAP and has been verified by independent auditors.

(9) Names and auditing opinions of CPA in recent five years

1) Names and auditing opinions of CPA in recent five years

CPA	Year	Opinions on the audit
Chang Chih An Wu, Der Feng	2012	Clean opinion after amendment
Hung, Shu Hua Wu, Der Feng	2013	Clean opinion after amendment
Hung, Shu Hua Wu, Der Feng	2014	Clean opinion after amendment
Hung, Shu Hua Wu, Der Feng	2015	Clean opinion after amendment
Hung, Shu Hua Wu, Der Feng	2016	Clean opinion after amendment

2) If the accountants have been changed in recent five years, the reasons for changing provided by the company, former accountant and successor should be noted: None.

6.2 Analyses of finance over the past five years

(1) Analyses on consolidated financial standing —International Financial Reporting Standards (IFRS)

Descriptions \ Year		Financial analyses over the past 5 years					Financial information as of March 31, 2017
		2012	2013	2014	2015	2016	
Financial structure (%)	Liabilities to assets ratio	58.59	51.06	47.87	45.80	47.51	49.10
	Long-term working capital to real estate, plants and equipment ratio	110.33	111.26	111.66	114.59	119.10	122.06
Solvency	Current ratio	122.76	128.85	135.95	140.00	146.16	148.56
	Quick ratio	68.34	84.34	91.12	101.65	106.58	105.38
	Interest coverage multiplicity	1,321	1,990	1,930	1,869	1,945	1,247
Manageability	Accounts receivable turnover rate(Number of time)	12.61	11.85	9.53	8.44	9.37	9.50
	Average cash collection days	28.94	30.79	38.31	43.23	38.94	38.42
	Inventory turnover rate(Number of time)	4.88	5.32	5.61	5.43	5.98	5.78
	Accounts payable turnover rate(Number of time)	11.49	11.46	11.08	10.65	10.33	9.31
	Average days required for sales	74.75	68.66	65.06	67.17	61.08	63.18
	Real estate, plants and equipment turnover rate (Number of time)	1.44	1.32	1.21	1.08	1.12	1.12
	Aggregate total asset turnover rate(Number of time)	0.88	0.85	0.78	0.70	0.70	0.68
Profitability Asset return ratio (%)	Asset return ratio (%)	11.56	12.48	10.27	8.12	8.45	5.04
	Equity return ratio (%)	27.81	26.21	19.19	14.38	14.98	8.88
	Ratio of net profit before tax to paid-in capital (%)	68.75	71.76	65.62	53.92	55.21	33.07
	Net profitability (%)	12.29	14.01	12.49	11.00	11.37	6.79

	Earnings per share (EPS)(NT$)	4.91	5.72	4.94	3.94	4.09	0.59
Cash flow	Cash flow ratio(%)	67.66	69.62	63.08	74.32	68.53	23.50
	Cash flow adequacy ratio(%)	65.21	83.54	78.65	89.95	117.44	115.18
	Cash reinvestment ratio(%)	14.88	13.69	8.20	8.98	8.54	4.83
Leverage	Operating Leverage	1.39	1.41	1.49	1.61	1.62	1.91
	Financial Leverage	1.07	1.05	1.06	1.05	1.05	1.08

Note : Financial information regarding the first quarter of 2017 follows IFRS and has been verified by independent auditors.

Analysis if difference reaches 20%：

Increase in Net cash flow adequacy ratio：due to increase in Cash flow in operating activities over the past five years.

(2) Analyses on individual financial standing —International Financial Reporting Standards (IFRS)

Descriptions	Year	Financial analyses over the past 5 years				
		2012	2013	2014	2015	2016
Financial structure（%）	Liabilities to assets ratio	32.37	27.88	27.76	27.19	28.76
	Long-term working capital to real estate, plants and equipment ratio	474.63	547.55	635.76	677.91	689.87
Solvency	Current ratio	170.79	147.99	198.18	262.01	184.21
	Quick ratio	123.36	119.21	168.74	220.54	161.29
	Interest coverage multiplicity	5,967	6,178	5,228	4,178	4,456
Manageability	Accounts receivable turnover rate(Number of time)	8.66	8.39	7.82	7.72	8.07
	Average cash collection days	42.15	43.51	46.69	47.25	45.26
	Inventory turnover rate(Number of time)	7.36	7.10	7.64	6.72	7.27
	Accounts payable turnover rate(Number of time)	14.76	15.63	14.66	12.79	14.19
	Average days required for sales	49.60	51.38	47.75	54.29	50.23
	Real estate, plants and equipment turnover rate(Number of time)	1.45	1.34	1.37	1.27	1.29
	Aggregate total asset turnover rate(Number of time)	0.27	0.22	0.19	0.17	0.17
Profitability	Asset return ratio (%)	19.07	18.70	14.14	10.73	11.05
	Equity return ratio (%)	28.06	26.29	19.23	14.44	15.00
	Ratio of net profit before tax to paid-in capital (%)	61.55	63.20	57.08	47.56	48.25
	Net profitability (%)	63.48	77.81	67.75	59.85	64.21
	Earnings per share (EPS)(NT$)	4.91	5.72	4.94	3.94	4.09
Cash flow	Cash flow ratio(%)	88.65	90.75	173.36	214.86	105.33
	Cash flow adequacy ratio(%)	59.82	72.06	77.16	90.19	99.78
	Cash reinvestment ratio(%)	2.72	3.53	3.16	1.65	0.15
Leverage	Operating Leverage	1.82	1.61	1.53	1.51	1.55
	Financial Leverage	1.23	1.17	1.13	1.13	1.14

Note : Financial information regarding the fourth quarter of 2016 follows IFRS and has been verified by independent auditors.

Analysis if difference reaches 20%：
Decrease in Current ratio：due to increase in Long-term liabilities due within one year.
Decrease in Quick ratio：due to increase in Long-term liabilities due within one year.
Decrease in Cash flow ratio：due to increase in Long-term liabilities due within one year.
Decrease in Cash reinvestment ratio：due to decrease in operating cash flow.

Formula to calculate the financial analyses:

1. Financial structure

(1)Liabilities to assets ratio＝Total liabilities／Aggregate total of assets.

(2)Long-term working capital to real estate, plants and equipment ratio＝（Aggregate total of equity＋Non-current liabilities）／ Real estate, plants and equipment, net..

2. Solvency

(1)Current ratio ＝Current assets／Current liabilities.

(2)Quick ratio ＝（Current assets－Inventory－Expenses paid in advance）／Current liabilities.

(3)Interest coverage multiplicity＝Net profit before income tax, interest and expenses／Interest expenditures this term.

3. Manageability

(1)Accounts receivable(including notes receivables from operating activities and accounts receivable) turnover rate＝ Net sales／Average balance of accounts receivable(including notes receivables from operating activities and accounts receivable) in various terms.

(2)Average cash collection days＝365／Accounts receivable turnover rate.

(3)Inventory turnover rate＝Sales costs／Average amount of inventory.

(4)Accounts payable (including notes payable from operating activities and accounts payable) turnover rate＝ Sales costs／Average balance of accounts payable (including notes payable from operating activities and accounts payable) of various terms.

(5)Average days required for sales＝365／Inventory turnover rate.

(6)Real estate, plants and equipment turnover rate＝ Net sales／Average real estate, plants and equipment, net..

(7)Aggregate total asset turnover rate＝ Net sales／Average aggregate total of assets.

4. Profitability

(1)Asset return ratio ＝〔Profit and/or loss after tax＋Interest expenses×（１－Tax rate）〕／ Average aggregate total of assets.

(2)Equity return ratio ＝Profit and/or loss after tax／Average aggregate total of equity.

(3)Net profitability ＝Profit and/or loss after tax／ Net sales.

(4)Earnings per share (EPS)＝（Profit and/or loss belonging to parent company proprietor －Preferred shares dividend）／Weighted average number of outstanding shares.

5. Cash flow

(1)Cash flow ratio＝Cash flow in operating activities／Current liabilities.

(2) Net cash flow adequacy ratio＝Cash flow in operating activities over the past five years／(Capital expenditure＋Amount of inventory increase ＋Cash dividend) over the past five years.

(3)Cash reinvestment ratio＝(Cash flow in operating activities－Cash dividend)／(Gross property, plant, and equipment ＋Long-term investment ＋Other assets＋operating fund).

6. Leverage:

(1)Operating Leverage＝(Operating revenues, net－Variable operating costs and expenses) ／ Operating interests.

(2) Financial Leverage＝Operating interests ／ (Operating interests－Interest expenses).

(3) Analyses on consolidated financial standing —Financial Accounting Standards of the Republic of China

Descriptions \ Year			Financial analyses over the past 5 years	
			2011	2012
Financial structure（%）	Liabilities to assets ratio		63.40	58.02
	Long-term working capital to real estate, plants and equipment ratio		123.44	112.02
Solvency	Current ratio		142.76	123.37
	Quick ratio		85.51	70.34
	Interest coverage multiplicity		1125	1762
Manageability	Accounts receivable turnover rate(Number of time)		13.49	12.61
	Average cash collection days		27	28
	Inventory turnover rate(Number of time)		5.51	4.88
	Average days required for sales		66	74
	Fixed assets turnover rate(Number of time)		1.44	1.35
	Aggregate total asset turnover rate(Number of time)		0.84	0.86
Profitability	Asset return ratio (%)		7.57	11.53
	Equity return ratio (%)		17.63	27.60
	Ratio to paid-in capital(%)	Operating interests	46.98	67.83
		Net profit before tax	43.94	68.78
	Net profitability (%)		7.16	12.26
	Earnings per share (EPS)(NT$)		3.45	5.64
Cash flow	Cash flow ratio(%)		17.29	68.07
	Cash flow adequacy ratio(%)		59.82	66.67
	Cash reinvestment ratio(%)		1.63	15.11
Leverage	Operating Leverage		1.57	1.40
	Financial Leverage		1.10	1.06

Note : Financial information regarding the fourth quarter of 2012 follows ROC GAAP and has been verified by independent auditors.

(4) Analyses on individual financial standing —Financial Accounting Standards of the Republic of China

Descriptions \ Year			Financial analyses over the past 5 years	
			2011	2012
Financial structure (%)	Liabilities to assets ratio		33.86	32.37
	Long-term working capital to real estate, plants and equipment ratio		494.56	480.90
Solvency	Current ratio		202.51	159.97
	Quick ratio		146.50	122.56
	Interest coverage multiplicity		4191	5970
Manageability	Accounts receivable turnover rate(Number of time)		8.71	8.66
	Average cash collection days		42	42
	Inventory turnover rate(Number of time)		7.75	7.37
	Average days required for sales		47	49
	Fixed assets turnover rate(Number of time)		1.71	1.46
	Aggregate total asset turnover rate(Number of time)		0.31	0.27
Profitability	Asset return ratio (%)		12.04	18.84
	Equity return ratio (%)		17.67	27.71
	Ratio to paid-in capital(%)	Operating interests	4.10	5.48
		Net profit before tax	37.90	61.58
	Net profitability (%)		34.90	63.34
	Earnings per share		3.03	5.64
Cash flow	Cash flow ratio(%)		81.51	81.69
	Cash flow adequacy ratio(%)		58.67	59.79
	Cash reinvestment ratio(%)		-0.21	2.67
Leverage	Operating Leverage		1.96	1.84
	Financial Leverage		1.29	1.24

Note : Financial information regarding the fourth quarter of 2012 follows ROC GAAP and has been verified by independent auditors.

Formula to calculate the financial analyses:

1. Financial structure

(1)Liabilities to assets ratio＝Total liabilities／Aggregate total of assets.

(2)Long-term funding to property, plant and equipment ratio＝（Shareholders' equity+long-term liabilities）/net property, plane, and equipment

2. Solvency

(1)Current ratio ＝Current assets／Current liabilities.

(2)Quick ratio ＝（Current assets－Inventory－Expenses paid in advance）／Current liabilities.

(3)Interest coverage multiplicity＝Net profit before income tax, interest and expenses／Interest expenditures this term.

3. Manageability

(1)Accounts receivable(including notes receivables from operating activities and accounts receivable) turnover rate＝ Net sales／Average balance of accounts receivable(including notes receivables from operating activities and accounts receivable) in various terms

(2) Average cash collection days＝365／Accounts receivable turnover rate.

(3)Inventory turnover rate＝Sales costs／Average amount of inventory.

(4) Average days required for sales＝365／Inventory turnover rate.

(5)Fixed assets turnover rate＝ Net sales／Average fixed assets, net.

(6) Aggregate total asset turnover rate＝ Net sales／Average aggregate total of assets.

4. Profitability

(1)Asset return ratio ＝〔Profit and/or loss after tax＋Interest expenses×（１－Tax rate）〕／ Average aggregate total of assets.

(2)Shareholders' equity return ratio＝Profit and/or loss after tax／Average shareholders' equity, net.

(3)Net profitability ＝Profit and/or loss after tax／ Net sales.

(4)Earnings per share (EPS)＝（Net profit after tax－Preferred shares dividend）／Weighted average number of outstanding shares.

5. Cash flow

(1)Cash flow ratio＝Cash flow in operating activities／Current liabilities.

(2) Net cash flow adequacy ratio＝Cash flow in operating activities over the past five years／(Capital expenditure＋Amount of inventory increase ＋Cash dividend) over the past five years.

(3)Cash reinvestment ratio＝(Cash flow in operating activities－Cash dividend)／(Gross fixed assets ＋Long-term investment ＋Other assets＋Working capital).

6. Leverage:

(1)Operating Leverage＝(Operating revenues, net－Variable operating costs and expenses) ／ Operating interests.

(2) Financial Leverage＝Operating interests ／ (Operating interests－Interest expenses).

6.3 Review Report Issued by the Supervisors' over the Financial Statements of the Latest Year

Supervisors' Report

To the 2017 Annual General Meeting of Cheng Shin Rubber Ind. Co., LTD.:

The Board of Directors has prepared and submitted the Company's 2016 Financial Statements (including the consolidated financial statements), which have been audited and certified by independent auditors, Grace Hung and Steven Go, of PricewaterhouseCoopers Taiwan. The Financial Statements, along with the Business Report and the proposed profit distribution, have been reviewed by us, the supervisors of the Company. We have not found any inconsistencies with the Company Act and other relevant laws in our review of the aforementioned documents. Therefore, we, the supervisors, hereby issue this report in compliance with Article 219 of the Company Act.

Tseng, Sung-Chu
Supervisor

Chiu, Li-Ching
Supervisor

Chen, Han-Chi
Supervisor

Dated: April 26, 2017

6.4 Consolidated Financial Statements of the latest year duly audited by the Certified Public Accountants

CHENG SHIN RUBBER IND. CO., LTD. AND SUBSIDIARIES

CONSOLIDATED FINANCIAL STATEMENTS AND

REPORT OF INDEPENDENT ACCOUNTANTS

DECEMBER 31, 2016 AND 2015

For the convenience of readers and for information purpose only, the auditors' report and the accompanying financial statements have been translated into English from the original Chinese version prepared and used in the Republic of China. In the event of any discrepancy between the English version and the original Chinese version or any differences in the interpretation of the two versions, the Chinese-language auditors' report and financial statements shall prevail.

CHENG SHIN RUBBER IND. CO., LTD. AND SUBSIDIARY

Declaration of Consolidated Financial Statements of Affiliated Enterprises

For the year ended December 31, 2016, pursuant to "Criteria Governing Preparation of Affiliation Reports, Consolidated Business Reports and Consolidated Financial Statements of Affiliated Enterprises,"
the company that is required to be included in the consolidated financial statements of affiliates, is the same as the company required to be included in the consolidated financial statements of parent and subsidiary companies under International Financial Reporting Standards No. 10. If relevant information that should be disclosed in the consolidated financial statements of affiliates has all been disclosed in the consolidated financial statements of parent and subsidiary companies, it shall not be required to prepare separate consolidated financial statements of affiliates.

Hereby declare,

CHENG SHIN RUBBER IND. CO., LTD.

LO, TSAI-JEN

March 20, 2017

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REPORT OF INDEPENDENT ACCOUNTANTS TRANSLATED FROM CHINESE

PWCR16004294

To the Board of Directors and Shareholders of CHENG SHIN RUBBER IND. CO., LTD. AND SUBSIDIARIES

Opinion

We have audited the accompanying consolidated balance sheets of CHENG SHIN RUBBER IND. CO., LTD. AND SUBSIDIARIES and its subsidiaries (the "Group") as at December 31, 2016 and 2015, and the related consolidated statements of comprehensive income, of changes in equity and of cash flows for the years then ended, and notes to the consolidated financial statements, including a summary of significant accounting policies.

In our opinion, the accompanying consolidated financial statements present fairly, in all material respects, the consolidated financial position of the Group as at December 31, 2016 and 2015, and its consolidated financial performance and its consolidated cash flows for the years then ended in accordance with the "Regulations Governing the Preparations of Financial Reports by Securities Issuers" and the International Financial Reporting Standards, International Accounting Standards, IFRIC Interpretations, and SIC Interpretations as endorsed by the Financial Supervisory Commission.

Basis for opinion

We conducted our audits in accordance with the "Regulations Governing Auditing and Attestation of Financial Statements by Certified Public Accountants" and generally accepted auditing standards in the Republic of China (ROC GAAS). Our responsibilities under those standards are further described in the *Auditor's Responsibilities for the Audit of the consolidated Financial Statements* section of our report. We are independent of the Group in accordance with the Code of Professional Ethics for Certified Public Accountants in the Republic of China (the "Code"), and we have fulfilled our other ethical responsibilities in accordance with the Code. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

Key audit matters

Key audit matters are those matters that, in our professional judgment, were of most significance in our audit of the consolidated financial statements of the current period. These matters were addressed in the

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context of our audit of the consolidated financial statements as a whole and, in forming our opinion thereon, we do not provide a separate opinion on these matters.

Cut-off on sales revenue

Description

For the accounting policy on revenue recognition, please refer to Note 4(29). For the year ended December 31, 2016, the sales revenue was NT$117,387,519 thousand.

The Group's main business is manufacturing and sales of various rubber products and tires. The main sources of sales revenue are from the assembly plant and dealers. Sales revenue from the assembly plant are recognised upon shipment of merchandise. In accordance with the contract terms with the assembly plant, as inspections are completed in the assembly plant, the transfer of risk and reward is completed and sales revenue is recognised.

How our audit addressed the matter

The procedures that we have conducted in response to the above key audit matter are summarized as follows:

1. We obtained an understanding of the Group's sales revenue cycle, reviewed internal control process and contracts of assembly plant sales in order to assess the effectiveness of managements' control of revenue recognition on assembly plant sales.
2. We tailored our audit over sales cutoff through accounts receivable testing based on the understanding of the Group's policies and procedures employed in the sales process in order to check whether sales revenue and accounts receivable are recorded in the proper period.
3. We tested the Group's sales transactions around the year-end date to check whether assembly plant sales are recorded in the proper period. We also tested whether changes in inventory and cost of goods sold were carried over and recorded in the proper period in order to assess the reasonableness of the sales revenue recognition.

Timing of reclassification of unfinished construction and uninspected equipment to property, plant and equipment.

Description

For the accounting policy on property, plant and equipment, please refer to Note 4(15).For the details of property, plant and equipment, please refer to Note 6(7) in the parent company only financial statements.

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As of December 31, 2016, the unfinished construction and equipment under acceptance was NT$ 9,590,929 thousand.

To maintain market competitiveness, the Group continuously replaces old production lines with new ones and incurs significant amounts of capital expenditures every year. The unfinished construction and uninspected equipment are measured at cost. When the finished construction's inspection report is issued and the uninspected equipment is ready for use, they are reclassified to property, plant and equipment and starts accrual of depreciation expense. The inspection process involves human judgment, thus, the timing of reclassification and accrual of depreciation expense could be inappropriate.Therefore, we indicated that the audit of timing of depreciation recognition after reclassification of unfinished construction and uninspected equipment to property, plant and equipment as one of the key areas of focus for this year.

How our audit addressed the matter

The procedures that we have conducted in response to the above key audit matter are summarized as follows:

1. We obtained an understanding of the Group's property, plant and equipment process cycle, reviewed internal control process and purchase contracts of property, plant and equipment in order to assess the effectiveness of managements' control of timing of reclassification of unfinished construction and uninspected equipment to property, plant and equipment.
2. We tailored our audit over fixed asset classification to check whether reclassification of assets are accurate and recorded in the proper period.
3. We reviewed the purchase contracts of property, plant and equipment and interviewed management in order to assess the reasonableness of the recognition of unfinished construction and uninspected equipment. We sampled unfinished construction to assess the progress of construction and check whether reclassification to finished construction or recognition of obsolete assets is required. Considering all the factors, we assess the reasonableness of the timing of reclassification of unfinished construction and uninspected equipment to property, plant and equipment.

Other matter – Scope of the audit

We did not audit the financial statements of certain consolidated subsidiaries, which statements reflect total assets of NT$4,699,832 thousand and NT$4,964,734 thousand, both representing 3% of the consolidated total assets as of December 31, 2016 and 2015, respectively, and the total liabilities of

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NT$1,894,862 thousand and NT$2,425,578 thousand, constituting 2% and 3% of the consolidated total liabilities as of December 31, 2016 and 2015, respectively, and total operating revenues of NT$5,369,799 thousand and NT$5,024,129 thousand, representing 5% and 4% of consolidated total net operating revenue for the years then ended, respectively. Those financial statements and the information disclosed in Note 13 were audited by other independent accountants whose reports thereon have been furnished to us, and our opinion expressed herein is based solely on the audit reports of the other independent accountants.

Other matter – Parent company only financial reports

We have audited and expressed an unmodified opinion on the parent company only financial statements of the Group as at and for the years ended December 31, 2016 and 2015.

Responsibilities of management and those charged with governance for the consolidated financial statements

Management is responsible for the preparation and fair presentation of the consolidated financial statements in accordance with the "Regulations Governing the Preparations of Financial Reports by Securities Issuers" and the International Financial Reporting Standards, International Accounting Standards, IFRIC Interpretations, and SIC Interpretations as endorsed by the Financial Supervisory Commission, and for such internal control as management determines is necessary to enable the preparation of consolidated financial statements that are free from material misstatement, whether due to fraud or error.

In preparing the consolidated financial statements, management is responsible for assessing the Group's ability to continue as a going concern, disclosing, as applicable, matters related to going concern and using the going concern basis of accounting unless management either intends to liquidate the Group or to cease operations, or has no realistic alternative but to do so.

Those charged with governance, including supervisors, are responsible for overseeing the Group's financial reporting process.

Auditor's responsibilities for the audit of the consolidated financial statements

Our objectives are to obtain reasonable assurance about whether the consolidated financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditor's report that includes our opinion. Reasonable assurance is a high level of assurance, but is not a guarantee that an audit conducted in accordance with ROC GAAS will always detect a material misstatement when it exists. Misstatements can arise from fraud or error and are considered material if, individually or in the aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of these consolidated financial statements.

As part of an audit in accordance with ROC GAAS, we exercise professional judgment and maintain professional skepticism throughout the audit. We also:

1. Identify and assess the risks of material misstatement of the consolidated financial statements, whether due to fraud or error, design and perform audit procedures responsive to those risks, and obtain audit evidence that is sufficient and appropriate to provide a basis for our opinion. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control.
2. Obtain an understanding of internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the Group's internal control.
3. Evaluate the appropriateness of accounting policies used and the reasonableness of accounting estimates and related disclosures made by management.
4. Conclude on the appropriateness of management's use of the going concern basis of accounting and, based on the audit evidence obtained, whether a material uncertainty exists related to events or conditions that may cast significant doubt on the Group's ability to continue as a going concern. If we conclude that a material uncertainty exists, we are required to draw attention in our auditor's report to the related disclosures in the consolidated financial statements or, if such disclosures are inadequate, to modify our opinion. Our conclusions are based on the audit evidence obtained up to the date of our auditor's report. However, future events or conditions may cause the Group to cease to continue as a going concern.
5. Evaluate the overall presentation, structure and content of the consolidated financial statements, including the disclosures, and whether the consolidated financial statements represent the underlying transactions and events in a manner that achieves fair presentation.
6. Obtain sufficient appropriate audit evidence regarding the financial information of the entities or business activities within the Group to express an opinion on the consolidated financial statements.

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We are responsible for the direction, supervision and performance of the group audit. We remain solely responsible for our audit opinion.

We communicate with those charged with governance regarding, among other matters, the planned scope and timing of the audit and significant audit findings, including any significant deficiencies in internal control that we identify during our audit.

We also provide those charged with governance with a statement that we have complied with relevant ethical requirements regarding independence, and to communicate with them all relationships and other matters that may reasonably be thought to bear on our independence, and where applicable, related safeguards.

From the matters communicated with those charged with governance, we determine those matters that were of most significance in the audit of the consolidated financial statements of the current period and are therefore the key audit matters. We describe these matters in our auditor's report unless law or regulation precludes public disclosure about the matter or when, in extremely rare circumstances, we determine that a matter should not be communicated in our report because the adverse consequences of doing so would reasonably be expected to outweigh the public interest benefits of such communication.

Hung, Shu-Hua

Hung, Shu-Hua

Wu. Der-Feng

Wu, Der Feng

For and on behalf of PricewaterhouseCoopers, Taiwan

March 20, 2017

CHENG SHIN RUBBER IND. CO., LTD. AND SUBSIDIARIES
CONSOLIDATED BALANCE SHEETS
(Expressed in thousands of New Taiwan dollars)

	Assets	Notes	December 31, 2016 AMOUNT	%	December 31, 2015 AMOUNT	%
	Current assets					
1100	Cash and cash equivalents		$ 28,893,546	17	$ 22,321,167	14
1125	Available-for-sale financial assets - current	6(2)	141,404	-	167,347	-
1150	Notes receivable, net	6(3)	1,445,339	1	2,242,936	1
1170	Accounts receivable, net	6(4)	10,330,385	6	10,694,137	6
1180	Accounts receivable - related parties, net	7	129,733	-	161,489	-
130X	Inventories, net	6(5)	13,850,002	9	13,213,153	8
1410	Prepayments		1,900,089	1	1,126,046	1
1470	Other current assets	8	1,463,436	1	2,420,855	2
11XX	**Total current assets**		58,153,934	35	52,347,130	32
	Non-current assets					
1523	Available-for-sale financial assets - non-current	6(2)	58,187	-	58,187	-
1550	Investments accounted for using equity method	6(6)(20)	177,313	-	181,668	-
1600	Property, plant and equipment, net	6(7)	103,156,284	61	106,476,804	64
1760	Investment property, net	6(8)	291,785	-	328,252	-
1840	Deferred income tax assets	6(25)	831,631	1	701,125	-
1900	Other non-current assets	6(9) and 8	5,495,592	3	5,865,056	4
15XX	**Total non-current assets**		110,010,792	65	113,611,092	68
1XXX	**Total assets**		$ 168,164,726	100	$ 165,958,222	100

(Continued)

CHENG SHIN RUBBER IND. CO., LTD. AND SUBSIDIARIES
CONSOLIDATED BALANCE SHEETS
(Expressed in thousands of New Taiwan dollars)

	Liabilities and Equity	Notes	December 31, 2016 AMOUNT	%	December 31, 2015 AMOUNT	%
	Current liabilities					
2100	Short-term borrowings	6(10)	$ 12,656,467	8	$ 16,206,436	10
2120	Financial liabilities at fair value through profit or loss - current	6(11)	-	-	19,173	-
2150	Notes payable		483,645	-	207,011	-
2170	Accounts payable		8,260,392	5	6,744,632	4
2200	Other payables	6(12)	7,003,144	4	6,314,880	4
2230	Current income tax liabilities	6(25)	1,377,757	1	1,751,321	1
2300	Other current liabilities	6(13)(14)(15)	10,005,293	6	6,146,918	4
21XX	**Total current liabilities**		39,786,698	24	37,390,371	23
	Non-current liabilities					
2530	Bonds payable	6(14)	11,700,000	7	8,600,000	5
2540	Long-term borrowings	6(15) and 7	22,888,990	14	23,458,920	14
2550	Provisions for liabilities - noncurrent		120,299	-	118,340	-
2570	Deferred income tax liabilities	6(25)	1,836,061	1	2,415,551	2
2600	Other non-current liabilities	6(16)	3,563,290	2	4,022,456	2
25XX	**Total non-current liabilities**		40,108,640	24	38,615,267	23
2XXX	**Total liabilities**		79,895,338	48	76,005,638	46
	Equity					
	Equity attributable to owners of parent					
	Share capital	6(17)				
3110	Ordinary shares		32,414,155	19	32,414,155	20
	Capital surplus	6(18)				
3200	Capital surplus		52,576	-	52,576	-
	Retained earnings	6(19)				
3310	Legal reserve		12,955,677	8	11,678,012	7
3320	Special reserve		2,604,163	2	2,604,163	2
3350	Unappropriated retained earnings		42,774,502	25	40,593,212	24
	Other equity interest	6(20)				
3400	Other equity interest		(3,307,822)	(2)	1,819,019	1
31XX	**Equity attributable to owners of the parent**		87,493,251	52	89,161,137	54
36XX	**Non-controlling interest**		776,137	-	791,447	-
3XXX	**Total equity**		88,269,388	52	89,952,584	54
	Significant contingent liabilities and unrecognised contract commitments	9				
	Significant events after the balance sheet date	11				
3X2X	**Total liabilities and equity**		$ 168,164,726	100	$ 165,958,222	100

The accompanying notes are an integral part of these consolidated financial statements.

CHENG SHIN RUBBER IND. CO., LTD. AND SUBSIDIARIES
CONSOLIDATED STATEMENTS OF COMPREHENSIVE INCOME
(Expressed in thousands of New Taiwan dollars, except earnings per share data)

	Items	Notes	2016 AMOUNT	2016 %	2015 AMOUNT	2015 %
4000	**Sales revenue**	7	$ 117,387,519	100	$ 116,726,293	100
5000	**Operating costs**	6(5)	(81,098,410)	(69)	(81,168,501)	(70)
5900	**Gross profit from operation**		36,289,109	31	35,557,792	30
	Operating expenses	7				
6100	Selling expenses		(9,291,874)	(8)	(9,198,205)	(8)
6200	General & administrative expenses		(3,495,535)	(3)	(3,415,096)	(3)
6300	Research and development expenses		(4,830,118)	(4)	(4,324,111)	(3)
6000	**Total operating expenses**		(17,617,527)	(15)	(16,937,412)	(14)
6900	**Operating profit**		18,671,582	16	18,620,380	16
	Non-operating income and expenses					
7010	Other income	6(21)	1,168,424	1	1,001,299	1
7020	Other gains and losses	6(22)	(1,045,927)	(1)	(1,234,867)	(1)
7050	Finance costs	6(23)	(924,222)	(1)	(948,371)	(1)
7060	Share of profit of associates and joint ventures accounted for under equity method	6(6)	25,129	-	37,762	-
7000	**Total non-operating income and expenses**		(776,596)	(1)	(1,144,177)	(1)
7900	**Profit before income tax**		17,894,986	15	17,476,203	15
7950	Income tax expense	6(25)	(4,548,505)	(4)	(4,636,989)	(4)
8200	**Profit for the year**		$ 13,346,481	11	$ 12,839,214	11

Year ended December 31.

(Continued)

CHENG SHIN RUBBER IND. CO., LTD. AND SUBSIDIARIES
CONSOLIDATED STATEMENTS OF COMPREHENSIVE INCOME
(Expressed in thousands of New Taiwan dollars, except earnings per share data)

	Items	Notes	2016 AMOUNT	2016 %	2015 AMOUNT	2015 %
	Other comprehensive income					
	Components of other comprehensive income that will not be reclassified to profit or loss					
8311	Other comprehensive income, before tax, actuarial losses on defined benefit plans		($ 80,322)	-	($ 32,031)	-
8320	Share of other comprehensive income of associates and joint ventures accounted for using equity method, components of other comprehensive income that will not be reclassified to profit or loss		(1,035)	-	(327)	-
8349	Income tax related to components of other comprehensive income that will not be reclassified to profit or loss	6(25)	13,655	-	5,445	-
8310	**Components of other comprehensive income that will not be reclassified to profit or loss**		(67,702)	-	(26,913)	-
	Components of other comprehensive income that will be reclassified to profit or loss					
8361	Financial statement translation differences of foreign operations		(6,255,531)	(5)	(2,064,897)	(2)
8362	Unrealized (loss) gain on valuation of available-for-sale financial assets	6(2)	(24,010)	-	29,996	-
8370	Total share of other comprehensive income of associates and joint ventures accounted for using equity method, components of other comprehensive income that will be reclassified to profit or loss		(3,298)	-	2,797	-
8399	Income tax relating to the components of other comprehensive income	6(25)	1,045,110	1	339,608	1
8360	**Components of other comprehensive income that will be reclassified to profit or loss**		(5,237,729)	(4)	(1,692,496)	(1)
8300	**Other comprehensive loss for the year**		($ 5,305,431)	(4)	($ 1,719,409)	(1)
8500	**Total comprehensive income for the year**		$ 8,041,050	7	$ 11,119,805	10
	Profit attributable to:					
8610	Owners of the parent		$ 13,250,903	11	$ 12,776,655	11
8620	Non-controlling interest		95,578	-	62,559	-
			$ 13,346,481	11	$ 12,839,214	11
	Comprehensive income attributable to:					
8710	Owners of the parent		$ 8,056,360	7	$ 11,121,989	10
8720	Non-controlling interest		(15,310)	-	(2,184)	-
			$ 8,041,050	7	$ 11,119,805	10
	Earnings per share (in dollars)	6(26)				
9750	**Basic earnings per share**		$ 4.09		$ 3.94	
9850	**Diluted earnings per share**		$ 4.08		$ 3.93	

Year ended December 31.

The accompanying notes are an integral part of these consolidated financial statements.

CHENG SHIN RUBBER IND. CO., LTD. AND SUBSIDIARIES
CONSOLIDATED STATEMENTS OF CHANGES IN EQUITY
(Expressed in thousands of New Taiwan dollars)

		Equity attributable to owners of the parent										
			Capital Surplus		Retained Earnings			Other equity interest				
	Notes	Share capital - common stock	Treasury stock transactions	Gain on sale of assets	Legal reserve	Special reserve	Unappropriated retained earnings	Financial statement translation differences of foreign operations	Unrealized gain or loss on available-for-sale financial assets	Total	Non-controlling interest	Total equity
Year ended December 31, 2015												
Balance at January 1, 2015		$ 32,414,155	$ 9,772	$ 42,804	$ 10,076,452	$ 2,604,163	$ 39,169,276	$ 3,402,402	$ 44,370	$ 87,763,394	$ 793,631	$ 88,557,025
Appropriations of 2014 earnings:												
Legal reserve		-	-	-	1,601,560	-	(1,601,560)	-	-	-	-	-
Cash dividends	6(19)	-	-	-	-	-	(9,724,246)	-	-	(9,724,246)	-	(9,724,246)
Profit for the year		-	-	-	-	-	12,776,655	-	-	12,776,655	62,559	12,839,214
Other comprehensive (loss) income for the year	6(20)	-	-	-	-	-	(26,913)	(1,658,083)	30,330	(1,654,666)	(64,743)	(1,719,409)
Balance at December 31, 2015		$ 32,414,155	$ 9,772	$ 42,804	$ 11,678,012	$ 2,604,163	$ 40,593,212	$ 1,744,319	$ 74,700	$ 89,161,137	$ 791,447	$ 89,952,584
Year ended December 31, 2016												
Balance at January 1, 2016		$ 32,414,155	$ 9,772	$ 42,804	$ 11,678,012	$ 2,604,163	$ 40,593,212	$ 1,744,319	$ 74,700	$ 89,161,137	$ 791,447	$ 89,952,584
Appropriations of 2015 earnings:												
Legal reserve		-	-	-	1,277,665	-	(1,277,665)	-	-	-	-	-
Cash dividends	6(19)	-	-	-	-	-	(9,724,246)	-	-	(9,724,246)	-	(9,724,246)
Profit for the year		-	-	-	-	-	13,250,903	-	-	13,250,903	95,578	13,346,481
Other comprehensive loss for the year	6(20)	-	-	-	-	-	(67,702)	(5,102,593)	(24,248)	(5,194,543)	(110,888)	(5,305,431)
Balance at December 31, 2016		$ 32,414,155	$ 9,772	$ 42,804	$ 12,955,677	$ 2,604,163	$ 42,774,502	($ 3,358,274)	$ 50,452	$ 87,493,251	$ 776,137	$ 88,269,388

The accompanying notes are an integral part of these consolidated financial statements.

CHENG SHIN RUBBER IND. CO., LTD. AND SUBSIDIARIES
CONSOLIDATED STATEMENTS OF CASH FLOWS
(Expressed in thousands of New Taiwan dollars)

	Notes	Years ended December 31 2016	2015
CASH FLOWS FROM OPERATING ACTIVITIES			
Profit before tax		$ 17,894,986	$ 17,476,203
Adjustments			
Adjustments to reconcile profit (loss)			
Depreciation	6(7)(24)	11,545,063	11,363,038
Depreciation on investment property	6(8)(24)	727	969
Rental expenses for land use right	6(9)	91,597	89,803
Share of profit of associates and joint ventures accounted for using equity method	6(6)	(25,129)	(37,762)
Net gain on financial assets or liabilities at fair value through profit or loss	6(7)(22)	(18,829)	(28,266)
Loss on disposal of property, plant and equipment	6(7)(22)	151,637	77,370
Provision for bad debt expense	6(4)	-	254
Interest expense	6(7)(23)	924,222	948,371
Interest income	6(21)	(179,998)	(194,775)
Gain on disposal of investments		(475)	-
Deferred government grants written-off		(151,920)	(116,409)
Changes in operating assets and liabilities			
Changes in operating assets			
Notes receivable, net		797,597	905,986
Accounts receivable - related parties		31,756	16,616
Accounts receivable		363,774	485,471
Inventories		(636,849)	3,359,545
Prepayments		(774,043)	497,248
Other current assets		175,644	(366,060)
Other non-current assets		25,911	(21,778)
Changes in operating liabilities			
Notes payable		276,634	149,529
Accounts payable		1,515,760	(1,494,548)
Other payables		422,706	165,948
Other current liabilities		316,526	72,089
Accrued pension liabilities		(159,287)	4,380
Cash inflow generated from operations		32,588,010	33,353,222
Interest received		166,549	196,954
Dividends received		25,152	33,888
Interest paid		(918,391)	(964,235)
Income tax paid		(4,596,725)	(5,181,149)
Net cash flows from operating activities		27,264,595	27,438,680

(Continued)

CHENG SHIN RUBBER IND. CO., LTD. AND SUBSIDIARIES
CONSOLIDATED STATEMENTS OF CASH FLOWS
(Expressed in thousands of New Taiwan dollars)

	Notes	2016	2015
CASH FLOWS FROM INVESTING ACTIVITIES			
Proceeds from capital reduction of available-for-sale financial assets		$ 2,408	$ -
Proceeds from disposal of property, plant and equipment		61,892	196,678
Payment for capitalized interests	6(7)(23)(27)	(43,328)	(37,230)
Acquisition of property, plant and equipment	6(7)(27)	(14,044,132)	(11,349,555)
Decrease (increase) in refundable deposits		(52,855)	230,981
Acquisition of land use rights		-	(2,284,925)
Proceeds from disposal of land use rights		-	75,745
Decrease in other non-current liabilities		(3,019)	(1,981)
Net cash flows used in investing activities		(14,079,034)	(13,170,287)
CASH FLOWS FROM FINANCING ACTIVITIES			
Increase in short-term loans		17,575,154	17,862,179
Decrease in short-term loans		(20,155,605)	(16,985,207)
Proceeds from issuing bonds	6(14)	5,000,000	-
Repayments of bonds	6(14)	-	(2,000,000)
Increase in long-term loans		10,528,429	8,050,954
Decrease in long-term loans		(8,931,033)	(10,122,171)
Decrease in guarantee deposits received		(23,777)	(7,862)
Increase (decrease) in other payables to related parties	7	55,404	(152,760)
Cash dividends paid	6(19)	(9,724,246)	(9,724,246)
Net cash flows used in financing activities		(5,675,674)	(13,079,113)
Effect of exchange rate changes on cash and cash equivalents		(937,508)	(34,192)
Net increase in cash and cash equivalents		6,572,379	1,155,088
Cash and cash equivalents at beginning of year	6(1)	22,321,167	21,166,079
Cash and cash equivalents at end of year	6(1)	$ 28,893,546	$ 22,321,167

Years ended December 31 (2016, 2015)

The accompanying notes are an integral part of these consolidated financial statements.

CHENG SHIN RUBBER IND. CO., LTD. AND SUBSIDIARIES

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

FOR THE YEARS ENDED DECEMBER 31, 2016 AND 2015

(Expressed in thousands of New Taiwan dollars, unless otherwise indicated)

1. HISTORY AND ORGANIZATION

Cheng Shin Rubber Ind. Co., Ltd. (the “Company”) was incorporated as company limited by shares under the provisions of the Company Act of the Republic of China (R.O.C.). The Company and its subsidiaries (collectively referred herein as the “Group”) are primarily engaged in: (a) Processing, manufacturing and trading of bicycle tires, electrical vehicle tires, reclaimed rubber, various rubbers and resin and other rubber products. (b) Manufacturing and trading of various rubber products and relevant rubber machinery.

The Company has been listed on the Taiwan Stock Exchange starting from December 1987.

2. THE DATE OF AUTHORIZATION FOR ISSUANCE OF THE CONSOLIDATED FINANCIAL STATEMENTS AND PROCEDURES FOR AUTHORIZATION

These consolidated financial statements were authorized for issuance by the Board of Directors on March 20, 2017.

3. APPLICATION OF NEW STANDARDS, AMENDMENTS AND INTERPRETATIONS

(1) Effect of the adoption of new issuances of or amendments to International Financial Reporting Standards (“IFRS”) as endorsed by the Financial Supervisory Commission (“FSC”)

None.

(2) Effect of new issuances of or amendments to IFRSs as endorsed by the FSC but not yet adopted by the Group

New standards, interpretations and amendments endorsed by FSC effective from 2017 are as follows:

New Standards, Interpretations and Amendments	Effective date by International Accounting Standards Board
Investment entities: applying the consolidation exception (amendments to IFRS 10, IFRS 12 and IAS 28)	January 1, 2016
Accounting for acquisition of interests in joint operations (amendments to IFRS 11)	January 1, 2016
IFRS 14,'Regulatory deferral accounts'	January 1, 2016
Disclosure initiative (amendments to IAS 1)	January 1, 2016
Clarification of acceptable methods of depreciation and amortisation (amendments to IAS 16 and IAS 38)	January 1, 2016
Agriculture: bearer plants (amendments to IAS 16 and IAS 41)	January 1, 2016
Defined benefit plans: employee contributions (amendments to IAS 19R)	July 1, 2014
Equity method in separate financial statements (amendments to IAS 27)	January 1, 2016
Recoverable amount disclosures for non-financial assets (amendments to IAS 36)	January 1, 2014

New Standards, Interpretations and Amendments	Effective date by International Accounting Standards Board
Novation of derivatives and continuation of hedge accounting (amendments to IAS 39)	January 1, 2014
IFRIC 21, 'Levies'	January 1, 2014
Improvements to IFRSs 2010-2012	July 1, 2014
Improvements to IFRSs 2011-2013	July 1, 2014
Improvements to IFRSs 2012-2014	January 1, 2016

The above standards and interpretation have no significant impact to the Group's financial condition and operating result based on the Group's assessments.

(3) IFRSs issued by IASB but not yet endorsed by the FSC

New standards, interpretations and amendments issued by IASB but not yet included in the IFRSs as endorsed by the FSC effective from 2017 are as follows:

New Standards, Interpretations and Amendments	Effective date by International Accounting Standards Board
Classification and measurement of share-based payment transactions (amendments to IFRS 2)	January 1, 2018
Applying IFRS 9 'Financial instruments'with IFRS 4'Insurance contracts' (amendments to IFRS 4)	January 1, 2018
IFRS 9, 'Financial instruments'	January 1, 2018
Sale or contribution of assets between an investor and its associate or joint venture (amendments to IFRS 10 and IAS 28)	To be determined by International Accounting Standards Board
IFRS 15, 'Revenue from contracts with customers'	January 1, 2018
Clarifications to IFRS 15, 'Revenue from contracts with customers' (amendments to IFRS 15)	January 1, 2018
IFRS 16, 'Leases'	January 1, 2019
Disclosure initiative (amendments to IAS 7)	January 1, 2017
Recognition of deferred tax assets for unrealised losses (amendments to IAS 12)	January 1, 2017
Transfers of investment property (amendments to IAS 40)	January 1, 2018
IFRIC 22, 'Foreign currency transactions and advance consideration'	January 1, 2018
Annual improvements to IFRSs 2014-2016 cycle- Amendments to IFRS 1, 'First-time adoption of International Financial Reporting Standards'	January 1, 2018
Annual improvements to IFRSs 2014-2016 cycle- Amendments to IFRS 12, 'Disclosure of interests in other entities'	January 1, 2017
Annual improvements to IFRSs 2014-2016 cycle- Amendments to IAS 28, 'Investments in associates and joint ventures'	January 1, 2018

Except for the following, the above standards and interpretations have no significant impact to the Group's financial condition and operating result based on the Group's assessment. The quantitative impact will be disclosed when the assessment is complete.

A. IFRS 9, ‘Financial instruments’

(a) Classification of debt instruments is driven by the entity’s business model and the contractual cash flow characteristics of the financial assets, which would be classified as financial asset at fair value through profit or loss, financial asset measured at fair value through other comprehensive income or financial asset measured at amortised cost. Equity instruments would be classified as financial asset at fair value through profit or loss, unless an entity makes an irrevocable election at inception to present in other comprehensive income subsequent changes in the fair value of an investment in an equity instrument that is not held for trading.

(b) The impairment losses of debt instruments are assessed using an ‘expected credit loss’ approach. An entity assesses at each balance sheet date whether there has been a significant increase in credit risk on that instrument since initial recognition to recognise 12-month expected credit losses or lifetime expected credit losses (interest revenue would be calculated on the gross carrying amount of the asset before impairment losses occurred); or if the instrument that has objective evidence of impairment, interest revenue after the impairment would be calculated on the book value of net carrying amount (i.e. net of credit allowance). The Group shall always measure the loss allowance at an amount equal to lifetime expected credit losses for trade receivables that do not contain a significant financing component.

B. IFRS 15, ‘Revenue from contracts with customers’

IFRS 15, ‘Revenue from contracts with customers’ replaces IAS 11 ‘Construction contracts’, IAS 18 ‘Revenue’ and relevant interpretations. According to IFRS 15, revenue is recognised when a customer obtains control of promised goods or services. A customer obtains control of goods or services when a customer has the ability to direct the use of, and obtain substantially all of the remaining benefits from, the asset.

The core principle of IFRS 15 is that an entity recognises revenue to depict the transfer of promised goods or services to customers in an amount that reflects the consideration to which the entity expects to be entitled in exchange for those goods or services. An entity recognises revenue in accordance with that core principle by applying the following steps:

Step 1: Identify contracts with customer.

Step 2: Identify separate performance obligations in the contract(s).

Step 3: Determine the transaction price.

Step 4: Allocate the transaction price.

Step 5: Recognise revenue when the performance obligation is satisfied

Further, IFRS 15 includes a set of comprehensive disclosure requirements that requires an entity to disclose sufficient information to enable users of financial statements to understand the nature, amount, timing and uncertainty of revenue and cash flows arising from contracts with customers.

C. Amendments to IFRS 15, ‘Clarifications to IFRS 15 Revenue from Contracts with Customers‘

The amendments clarify how to identify a performance obligation (the promise to transfer a good or a service to a customer) in a contract; determine whether a company is a principal (the provider of a good or service) or an agent (responsible for arranging for the good or service to be provided); and determine whether the revenue from granting a licence should be recognised at a point in time or over time. In addition to the clarifications, the amendments include two additional reliefs to reduce cost and complexity for a company when it first applies the new Standard.

D. Amendments to IAS 7, 'Disclosure initiative'

This amendment requires that an entity shall provide more disclosures related to changes in liabilities arising from financing activities, including both changes arising from cash flows and non-cash changes.

E. Amendments to IAS 40, 'Transfers of investment property'

The amendment clarified that to transfer to, or from, investment properties there must be a change in use. A change in use occurs when the property meets, or ceases to meet, the definition of investment property and there is evidence of the change in use. A change in management's intentions, in isolation, does not provide evidence of the change in use. In addition, the amendments added examples for the evidence of a change in use. The examples include assets under construction or development (not completed properties) transfer from investment property to owner-occupied property at commencement of development with a view to owner-occupation and transfer from inventories to investment property at inception of an operating lease to another party.

F. IFRIC 22, 'Foreign currency transactions and advance consideration'

The Interpretation states that the date of the transaction for a foreign currency-denominated contract should be the date of initial recognition of the non-monetary asset or non-monetary liability arising from the receipt or payment of the advance consideration.

Group continuously evaluates effects on financial conditions and operating results due to other standards and interpretations. Effects evaluation will be disclosed once completed.

4. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

The principal accounting policies applied in the preparation of these consolidated financial statements are set out below. These policies have been consistently applied to all the periods presented, unless otherwise stated.

(1) Compliance statement

The consolidated financial statements of the Group have been prepared in accordance with the "Regulations Governing the Preparation of Financial Reports by Securities Issuers", International Financial Reporting Standards, International Accounting Standards, IFRIC Interpretations, and SIC Interpretations as endorsed by the FSC (collectively referred herein as the "IFRSs").

(2) Basis of preparation

A. Except for the following items, the consolidated financial statements have been prepared under the historical cost convention:

(a) Financial assets and financial liabilities (including derivative instruments) at fair value through profit or loss.

(b) Available-for-sale financial assets measured at fair value.

(c) Defined benefit liabilities recognized based on the net amount of pension fund assets less present value of defined benefit obligation.

B. The preparation of financial statements in conformity with IFRSs requires the use of certain critical accounting estimates. It also requires management to exercise its judgment in the process of applying the Group's accounting policies. The areas involving a higher degree of judgment or complexity, or areas where assumptions and estimates are significant to the consolidated financial statements are disclosed in Note 5.

(3) Basis of consolidation

A. Basis for preparation of consolidated financial statements:

(a) All subsidiaries are included in the Group's consolidated financial statements. Subsidiaries are all entities (including structured entities) controlled by the Group. The Group controls an entity when the Group is exposed, or has rights, to variable returns from its involvement with the entity and has the ability to affect those returns through its power over the entity. Consolidation of subsidiaries begins from the date the Group obtains control of the subsidiaries and ceases when the Group loses control of the subsidiaries.

(b) Inter-company transactions, balances and unrealized gains or losses on transactions between companies within the Group are eliminated. Accounting policies of subsidiaries have been adjusted where necessary to ensure consistency with the policies adopted by the Group.

(c) Profit or loss and each component of other comprehensive income are attributed to the owners of the parent and to the non-controlling interests. Total comprehensive income is attributed to the owners of the parent and to the non-controlling interests even if this results in the non-controlling interests having a deficit balance.

(d) Changes in a parent's ownership interest in a subsidiary that do not result in the parent losing control of the subsidiary (transactions with non-controlling interests) are accounted for as equity transactions, i.e. transactions with owners in their capacity as owners. Any difference between the amount by which the non-controlling interests are adjusted and the fair value of the consideration paid or received is recognized directly in equity.

(e) When the Group loses control of a subsidiary, the Group remeasures any investment retained in the former subsidiary at its fair value. That fair value is regarded as the fair value on initial recognition of a financial asset or the cost on initial recognition of the associate or joint venture. Any difference between fair value and carrying amount is recognized in profit or loss. All amounts previously recognized in other comprehensive income in relation to the subsidiary are reclassified to profit or loss on the same basis as would be required if the related assets or liabilities were disposed of. That is, when the Group loses control of a subsidiary, all gains or losses previously recognized in other comprehensive income in relation to the subsidiary should be reclassified from equity to profit or loss, if such gains or losses would be reclassified to profit or loss when the related assets or liabilities are disposed of.

B. Subsidiaries included in the consolidated financial statements:

Name of investor	Name of subsidiary	Main business activities	Ownership(%) December 31, 2016	Ownership(%) December 31, 2015	Description
CHENG SHIN RUBBER IND. CO., LTD.	MAXXIS International Co., Ltd.	Holding company	100	100	
CHENG SHIN RUBBER IND. CO., LTD.	CST Trading Ltd.	Holding company	100	100	
CHENG SHIN RUBBER IND. CO., LTD.	MAXXIS Trading Ltd.	Holding company	100	100	
CHENG SHIN RUBBER IND. CO., LTD.	CHENG SHIN RUBBER USA, INC.	Import and export of tires	100	100	
CHENG SHIN RUBBER IND. CO., LTD.	CIAO SHIN CO., LTD.	Investment in various business	97	97	Note 9.
CHENG SHIN RUBBER IND. CO., LTD.	CHENG SHIN RUBBER CANADA, INC.	Import and export of tires	100	100	
CHENG SHIN RUBBER IND. CO., LTD.	MAXXIS Tech Center Europe B.V.	Technical center	100	100	
CHENG SHIN RUBBER IND. CO., LTD.	PT MAXXIS International Indonesia	Production and sales of various types of tires	100	100	Note 4.
CHENG SHIN RUBBER IND. CO., LTD.	Maxxis Rubber India Private Limited	Production and sales of various types of tires	100	100	Note 5.
CHENG SHIN RUBBER IND. CO., LTD.	Maxxis (Taiwan) Trading CO., LTD.	Wholesale and retail of tires	100	100	Note 8.
MAXXIS International Co.,	TIANJIN TAFENG RUBBER IND CO., LTD.	Production and sales of various types of	100	100	
MAXXIS International Co.,	CHENG SHIN PETREL TIRE (XIAMEN) CO.,	Production and sales of various types of	60	60	Note 3.
MAXXIS International Co.,	MAXXIS International (HK) Ltd.	Holding company	100	100	
MAXXIS International (HK)	CHENG SHIN RUBBER (XIAMEN) IND., LTD.	Production and sales of various types of	100	100	
MAXXIS International (HK) Ltd.	XIAMEN CHENG SHIN ENTERPRISE CO., LTD.	Production and sales of various types of tires	100	100	

Name of investor	Name of subsidiary	Main business activities	Ownership(%) December 31, 2016	Ownership(%) December 31, 2015	Description
MAXXIS International (HK) Ltd.	CHENG SHIN (XIAMEN) INTL AUTOMOBILE CULTURE CENTER CO.,LTD	Researching, developing, testing and exhibiting of tires and automobile accessory products and related products, and management of racing tracks.	100	100	
MAXXIS International (HK) Ltd.	CHENG SHIN RUBBER (ZHANGZHOU) IND CO., LTD.	Production and sales of various types of tires	25	25	Note 2.
CST Trading Ltd.	Cheng Shin International (HK) Ltd.	Holding company	100	100	
Cheng Shin International (HK) Ltd.	CHENG SHIN TIRE & RUBBER (CHINA) CO., LTD.	Production and sales of various types of tires	100	100	
Cheng Shin International (HK) Ltd.	CHENG SHIN TOYO (KUNSHAN) MACHINERY CO., LTD.	Production, sales and maintenance of models	50	50	
Cheng Shin International (HK) Ltd.	CHENG SHIN TIRE & RUBBER (CHONGQING) CO., LTD.	Production and sales of various types of tires	30	30	Note 1.
CHENG SHIN TIRE & RUBBER (CHINA)CO.,LTD.	CHENG SHIN TIRE & RUBBER (CHONGQING) CO., LTD.	Production and sales of various types of tires	70	70	Note 1.
CHENG SHIN TIRE & RUBBER (CHINA)CO.,LTD.	KUNSHAN MAXXIS TIRE CO.,LTD	Retail of accessories for rubber tires	100	－	Note 6.
MAXXIS Trading Ltd.	MAXXIS Holding (BVI) Co., Ltd.	Holding company	100	100	
CHENG SHIN RUBBER (XIAMEN) IND., LTD.	CHIN CHOU CHENG SHIN ENTERPRISE CO., LTD.	Retail of accessories for rubber tires	95	95	
CHENG SHIN RUBBER (XIAMEN) IND., LTD.	CHENG SHIN PETREL TIRE (XIAMEN) CO., LTD.	Production and sales of various types of tires	40	40	Note 3.
CHENG SHIN RUBBER (XIAMEN) IND., LTD.	CHENG SHIN LOGISTIC (XIAMEN) CO.,LTD	International container transportation business	49	49	

Name of investor	Name of subsidiary	Main business activities	Ownership(%) December 31, 2016	December 31, 2015	Description
CHENG SHIN RUBBER (XIAMEN) IND.,	CHENG SHIN RUBBER (ZHANGZHOU) IND CO., LTD.	Production and sales of various types of tires	75	75	Note 2.
CHENG SHIN RUBBER (XIAMEN) IND., LTD.	CHENG SHIN (ZHANGZHOU) MECHANICAL & ELECTRICAL ENGINEERING CO., LTD.	Manufacturing and sales of equipment	50	50	Note 7.
CHENG SHIN RUBBER (XIAMEN) IND., LTD.	XIAMEN ESTATE CO.,LTD	Construction and trading of employees' housing	100	100	
MAXXIS Holding (BVI) Co., Ltd.	MAXXIS International (Thailand) Co., Ltd.	Production and sales of various types of tires	100	100	
MAXXIS Holding (BVI) Co., Ltd.	Cheng Shin Rubber (Vietnam) IND Co., Ltd.	Production and sales of various types of tires	100	100	

Note 1: Cheng Shin International (HK) Ltd. and Cheng Shin Tire & Rubber (China) Co., Ltd. collectively hold 100% equity interest in Cheng Shin Tire & Rubber (Chongqing) Co., Ltd.

Note 2: Maxxis International (HK) Ltd. and Cheng Shin Rubber (Xiamen) Ind., Ltd. collectively hold 100% equity interest in Cheng Shin Rubber (Zhangzhou) Ind. Co., Ltd.

Note 3: Maxxis International Co., Ltd. and Cheng Shin Rubber (Xiamen) Ind., Ltd. collectively hold 100% equity interest in Cheng Shin Petrel Tire (Xiamen) Co., Ltd.

Note 4: In July 2014, the Group established a subsidiary, PT Maxxis International Indonesia, in Indonesia. The Group remitted a total investment amount of US$80,000 thousand to the subsidiary in 2014 and 2015 and acquired 100% of its share ownership.

Note 5: In March 2015, the Group established a subsidiary, Maxxis Rubber India Private Limited, in India. The Group remitted a total investment amount of US$58,267 thousand to the subsidiary in July 2015 and acquired 100% of its share ownership. The subsidiary has been included in the consolidated entity in the third quarter of 2015.

Note 6: In September 2015, the Group established a subsidiary, Kunshan Maxxis tire Co., Ltd, in China. The registered capital is RMB $5,000 thousand. As of March 24, 2016, the investment has not been remitted.

Note 7: On January 1, 2016, the shareholders during their meeting resolved the liquidation of the Group's subsidiary, CHENG SHIN (ZHANGZHOU) MECHANICAL & ELECTRICAL ENGINEERING CO., LTD. As of March 20, 2016, the liquidation was not yet completed.

Note 8: In January 2016, the Group established a subsidiary, MAXXIS (Taiwan) Trading Co., Ltd., which was included in the consolidated financial statements since establishment.

Note 9: On December 21, 2016, the shareholders during their meeting resolved the liquidation of the Group's subsidiary, CIAO SHIN CO., LTD. As of March 20, 2017, the liquidation was not yet completed.

C. Subsidiaries not included in the consolidated financial statements:

None.

D. Adjustments for subsidiaries with different balance sheet dates:

None.

E. Significant restrictions:

None.

F. Subsidiaries that have non-controlling interests that are material to the Group:

None.

(4) Foreign currency translation

Items included in the financial statements of each of the Group's entities are measured using the currency of the primary economic environment in which the entity operates (the "functional currency"). The consolidated financial statements are presented in New Taiwan dollars, which is the Company's functional and the Group's presentation currency.

A. Foreign currency transactions and balances

(a) Foreign currency transactions are translated into the functional currency using the exchange rates prevailing at the dates of the transactions or valuation where items are remeasured. Foreign exchange gains and losses resulting from the settlement of such transactions are recognized in profit or loss in the period in which they arise.

(b) Monetary assets and liabilities denominated in foreign currencies at the period end are re-translated at the exchange rates prevailing at the balance sheet date. Exchange differences arising upon re-translation at the balance sheet date are recognized in profit or loss.

(c) Non-monetary assets and liabilities denominated in foreign currencies held at fair value through profit or loss are re-translated at the exchange rates prevailing at the balance sheet date; their translation differences are recognized in profit or loss. Non-monetary assets and liabilities denominated in foreign currencies held at fair value through other comprehensive income are re-translated at the exchange rates prevailing at the balance sheet date; their translation differences are recognized in other comprehensive income. However, non-monetary assets and liabilities denominated in foreign currencies that are not measured at fair value are translated using the historical exchange rates at the dates of the initial transactions.

(d) All foreign exchange gains and losses are presented in the statement of comprehensive income within 'other gains and losses'.

B. Translation of foreign operations

The operating results and financial position of all the group entities, associates and joint arrangements that have a functional currency different from the presentation currency are translated into the presentation currency as follows:

(a) Assets and liabilities for each balance sheet presented are translated at the closing exchange rate at the date of that balance sheet;

(b) Income and expenses for each statement of comprehensive income are translated at average exchange rates of that period; and

(c) All resulting exchange differences are recognized in other comprehensive income.

(5) <u>Classification of current and non-current items</u>

A. Assets that meet one of the following criteria are classified as current assets; otherwise they are classified as non-current assets:

(a) Assets arising from operating activities that are expected to be realized, or are intended to be sold or consumed within the normal operating cycle;

(b) Assets held mainly for trading purposes;

(c) Assets that are expected to be realized within twelve months from the balance sheet date;

(d) Cash and cash equivalents, excluding restricted cash and cash equivalents and those that are to be exchanged or used to pay off liabilities more than twelve months after the balance sheet date.

B. Liabilities that meet one of the following criteria are classified as current liabilities; otherwise they are classified as non-current liabilities:

(a) Liabilities that are expected to be settled within the normal operating cycle;

(b) Liabilities arising mainly from trading activities;

(c) Liabilities that are to be settled within twelve months from the balance sheet date;

(d) Liabilities for which the repayment date cannot be extended unconditionally to more than twelve months after the balance sheet date. Terms of a liability that could, at the option of the counterparty, result in its settlement by the issue of equity instruments do not affect its classification.

(6) <u>Cash equivalents</u>

Cash equivalents refer to short-term, highly liquid investments that are readily convertible to known amounts of cash and which are subject to an insignificant risk of changes in value. Time deposits that meet the definition above and are held for the purpose of meeting short-term cash commitments in operations are classified as cash equivalents.

(7) <u>Financial assets at fair value through profit or loss</u>

A. Financial assets at fair value through profit or loss are financial assets held for trading or financial assets designated as at fair value through profit or loss on initial recognition. Financial assets are classified in this category of held for trading if acquired principally for the purpose of selling in the short-term. Derivatives are also categorized as financial assets held for trading unless they are designated as hedges.

B. On a regular way purchase or sale basis, financial assets at fair value through profit or loss are recognized and derecognized using trade date accounting.

C. Financial assets at fair value through profit or loss are initially recognized at fair value. Related transaction costs are expensed in profit or loss. These financial assets are subsequently remeasured and stated at fair value, and any changes in the fair value of these financial assets are recognized in profit or loss.

(8) Available-for-sale financial assets

A. Available-for-sale financial assets are non-derivatives that are either designated in this category or not classified in any of the other categories.

B. On a regular way purchase or sale basis, available-for-sale financial assets are recognized and derecognized using trade date accounting.

C. Available-for-sale financial assets are initially recognized at fair value plus transaction costs. These financial assets are subsequently remeasured and stated at fair value, and any changes in the fair value of these financial assets are recognized in other comprehensive income.

(9) Receivables

Accounts receivable are loans and receivables originated by the entity. They are created by the entity by selling goods or providing services to customers in the ordinary course of business. Accounts receivable are initially recognized at fair value and subsequently measured at amortized cost using the effective interest method, less provision for impairment.

However, short-term accounts receivable without bearing interest are subsequently measured at initial invoice amount as the effect of discounting is immaterial.

(10) Impairment of financial assets

A. The Group assesses at each balance sheet date whether there is objective evidence that a financial asset or a group of financial assets is impaired as a result of one or more events that occurred after the initial recognition of the asset (a 'loss event') and that loss event (or events) has an impact on the estimated future cash flows of the financial asset or group of financial assets that can be reliably estimated.

B. The criteria that the Group uses to determine whether there is objective evidence of an impairment loss is as follows:

(a) Significant financial difficulty of the issuer or debtor;

(b) A breach of contract, such as a default or delinquency in interest or principal payments;

(c) The Group, for economic or legal reasons relating to the borrower's financial difficulty, granted the borrower a concession that a lender would not otherwise consider;

(d) It becomes probable that the borrower will enter bankruptcy or other financial reorganization;

(e) The disappearance of an active market for that financial asset because of financial difficulties;

(f) Observable data indicating that there is a measurable decrease in the estimated future cash flows from a group of financial assets since the initial recognition of those assets, although the decrease cannot yet be identified with the individual financial asset in the group, including adverse changes in the payment status of borrowers in the group or national or local economic conditions that correlate with defaults on the assets in the group;

(g) Information about significant changes with an adverse effect that have taken place in the technology, market, economic or legal environment in which the issuer operates, and indicates that the cost of the investment in the equity instrument may not be recovered;

(h) A significant or prolonged decline in the fair value of an investment in an equity instrument below its cost.

C. When the Group assesses that there has been objective evidence of impairment and an impairment loss has occurred, accounting for impairment is made as follows according to the category of financial assets:

(a) Financial assets measured at amortized cost

The amount of the impairment loss is measured as the difference between the asset's carrying amount and the present value of estimated future cash flows discounted at the financial asset's original effective interest rate, and is recognized in profit or loss. If, in a subsequent period, the amount of the impairment loss decreases and the decrease can be related objectively to an event occurring after the impairment loss was recognized, the previously recognized impairment loss is reversed through profit or loss to the extent that the carrying amount of the asset does not exceed its amortized cost that would have been at the date of reversal had the impairment loss not been recognized previously. Impairment loss is recognized and reversed by adjusting the carrying amount of the asset through the use of an impairment allowance account.

(b) Available-for-sale financial assets

The amount of the impairment loss is measured as the difference between the asset's acquisition cost (less any principal repayment and amortisation) and current fair value, less any impairment loss on that financial asset previously recognized in profit or loss, and is reclassified from 'other comprehensive income' to 'profit or loss'. If, in a subsequent period, impairment loss of an investment in an equity instrument recognized in profit or loss shall not be reversed through profit or loss. Impairment loss is recognized and reversed by adjusting the carrying amount of the asset through the use of an impairment allowance account.

(11) Derecognition of financial assets

The Group derecognizes a financial asset when the contractual rights to receive the cash flows from the financial asset expire.

(12) Lease receivables/ leases (lessor)

Lease income from an operating lease (net of any incentives given to the lessee) is recognized in profit or loss on a straight-line basis over the lease term.

(13) Inventories

Inventories are stated at the lower of cost and net realizable value. Cost is determined using the weighted-average method. The cost of finished goods and work in progress comprises raw materials, direct labor, other direct costs and related production overheads (allocated based on normal operating capacity). It excludes borrowing costs. The item by item approach is used in applying the lower of cost and net realizable value. Net realizable value is the estimated selling price in the ordinary course of business, less the estimated cost of completion and applicable variable selling expenses.

(14) Investments accounted for using equity method / associates

A. Associates are all entities over which the Group has significant influence but not control. In general, it is presumed that the investor has significant influence, if an investor holds, directly or indirectly 20 percent or more of the voting power of the investee. Investments in associates are accounted for using the equity method and are initially recognized at cost.

B. The Group's share of its associates' post-acquisition profits or losses is recognized in profit or loss, and its share of post-acquisition movements in other comprehensive income is recognized in other comprehensive income. When the Group's share of losses in an associate equals or exceeds its interest in the associate, including any other unsecured receivables, the Group does not recognize further losses, unless it has incurred legal or constructive obligations or made payments on behalf of the associate.

C. When changes in an associate's equity that are not recognized in profit or loss or other comprehensive income of the associate and such changes not affecting the Group's ownership percentage of the associate, the Group recognizes the Group's share of change in equity of the associate in 'capital surplus' in proportion to its ownership.

D. Unrealized gains on transactions between the Group and its associates are eliminated to the extent of the Group's interest in the associates. Unrealized losses are also eliminated unless the transaction provides evidence of an impairment of the asset transferred. Accounting policies of associates have been adjusted where necessary to ensure consistency with the policies adopted by the Group.

E. When the Group disposes its investment in an associate, if it loses significant influence over this associate, the amounts previously recognized in other comprehensive income in relation to the associate, are reclassified to profit or loss, on the same basis as would be required if the relevant assets or liabilities were disposed of. If it still retains significant influence over this associate, then the amounts previously recognized in other comprehensive income in relation to the associate are reclassified to profit or loss proportionately in accordance with the aforementioned approach.

(15) Property, plant and equipment

A. Property, plant and equipment are initially recorded at cost. Borrowing costs incurred during the construction period are capitalized.

B. Subsequent costs are included in the asset's carrying amount or recognized as a separate asset, as appropriate, only when it is probable that future economic benefits associated with the item will flow to the Group and the cost of the item can be measured reliably. The carrying amount of the replaced part is derecognized. All other repairs and maintenance are charged to profit or loss during the financial period in which they are incurred.

C. Land is not depreciated. Other property, plant and equipment apply cost model and are depreciated using the straight-line method to allocate their cost over their estimated useful lives. Each part of an item of property, plant, and equipment with a cost that is significant in relation to the total cost of the item must be depreciated separately.

D. The assets' residual values, useful lives and depreciation methods are reviewed, and adjusted if appropriate, at each financial year-end. If expectations for the assets' residual values and useful lives differ from previous estimates or the patterns of consumption of the assets' future economic benefits embodied in the assets have changed significantly, any change is accounted for as a change in estimate under IAS 8, 'Accounting Policies, Changes in Accounting Estimates and Errors', from the date of the change. The estimated useful lives of property, plant and equipment are as follows:

(a) Buildings：5 ~ 60 years
(b) Machinery and equipment：15 years
(c) Test equipment：5 years
(d) Transportation equipment：6 years
(e) Office equipment：5 years
(f) Other assets：3 ~ 5 years

(16) Investment property

An investment property is stated initially at its cost and measured subsequently using the cost model. Except for land, investment property is depreciated on a straight-line basis over its estimated useful life of 5 ~ 55 years.

(17) Impairment of non-financial assets

The Group assesses at each balance sheet date the recoverable amounts of those assets where there is an indication that they are impaired. An impairment loss is recognized for the amount by which the asset's carrying amount exceeds its recoverable amount. The recoverable amount is the higher of an asset's fair value less costs to sell or value in use. When the circumstances or reasons for recognizing impairment loss for an asset in prior years no longer exist or diminish, the impairment loss is reversed. The increased carrying amount due to reversal should not be more than what the depreciated or amortized historical cost would have been if the impairment had not been recognized.

(18) Borrowings

A. Borrowings are recognized initially at fair value, net of transaction costs incurred. Borrowings are subsequently stated at amortized cost; any difference between the proceeds (net of transaction costs) and the redemption value is recognized in profit or loss over the period of the borrowings using the effective interest method.

B. Fees paid on the establishment of loan facilities are recognized as transaction costs of the loan to the extent that it is probable that some or all of the facility will be drawn down. In this case, the fee is deferred until the draw-down occurs. To the extent there is no evidence that it is probable that some or all of the facility will be drawn down, the fee is capitalised as a pre-payment for liquidity services and amortized over the period of the facility to which it relates.

(19) Notes and accounts payable

Notes and accounts payable are obligations to pay for goods or services that have been acquired in the ordinary course of business from suppliers. They are recognized initially at fair value and subsequently measured at amortized cost using the effective interest method. However, short-term accounts payable without bearing interest are subsequently measured at initial invoice amount as the effect of discounting is immaterial.

(20) Financial liabilities at fair value through profit or loss

A. Financial liabilities at fair value through profit or loss are financial liabilities held for trading or financial liabilities designated as at fair value through profit or loss on initial recognition. Financial liabilities are classified in this category of held for trading if acquired principally for the purpose of repurchasing in the short-term.

B. Financial liabilities at fair value through profit or loss are initially recognized at fair value. Related transaction costs are expensed in profit or loss. These financial liabilities are subsequently remeasured and stated at fair value, and any changes in the fair value of these financial liabilities are recognized in profit or loss.

(21) Derecognition of financial liabilities

Financial liability is derecognized when the obligation under the liability specified in the contract is discharged or cancelled or expires.

(22) Offsetting financial instruments

Financial assets and liabilities are offset and reported in the net amount in the balance sheet when there is a legally enforceable right to offset the recognized amounts and there is an intention to settle on a net basis or realize the asset and settle the liability simultaneously.

(23) Financial liabilities and equity instruments

Ordinary corporate bonds issued by the Group are initially recognized at fair value, net of transaction costs incurred. Ordinary corporate bonds are subsequently stated at amortized cost; any difference between the proceeds (net of transaction costs) and the redemption value is accounted for as the premium or discount on bonds payable and presented as an addition to or deduction from bonds payable, which is amortized in profit or loss as an adjustment to the 'finance costs' over the period of bond circulation using the effective interest method.

(24) Derivative financial instruments

Derivatives are initially recognized at fair value on the date a derivative contract is entered into and are subsequently remeasured at their fair value. Any changes in the fair value are recognized in profit or loss.

(25) Provisions

Provisions (including decommissioning) are recognized when the Group has a present legal or constructive obligation as a result of past events, and it is probable that an outflow of economic resources will be required to settle the obligation and the amount of the obligation can be reliably estimated. Provisions are measured at the present value of the expenditures expected to be required to settle the obligation on the balance sheet date, which is discounted using a pre-tax discount rate that reflects the current market assessments of the time value of money and the risks specific to the obligation. When discounting is used, the increase in the provision due to passage of time is recognized as interest expense. Provisions are not recognized for future operating losses.

(26) Employee benefits

A. Short-term employee benefits

Short-term employee benefits are measured at the undiscounted amount of the benefits expected to be paid in respect of service rendered by employees in a period and should be recognized as expenses in that period when the employees render service.

B. Pensions

(a) Defined contribution plans

For defined contribution plans, the contributions are recognized as pension expenses when they are due on an accrual basis. Prepaid contributions are recognized as an asset to the extent of a cash refund or a reduction in the future payments.

(b) Defined benefit plans

i. Net obligation under a defined benefit plan is defined as the present value of an amount of pension benefits that employees will receive on retirement for their services with the Group in current period or prior periods. The liability recognized in the balance sheet in respect of defined benefit pension plans is the present value of the defined benefit obligation at the balance sheet date less the fair value of plan assets. The defined benefit net obligation is calculated annually by independent actuaries using the projected unit credit method. The rate used to discount is determined by using interest rates of high-quality corporate bonds that are denominated in the currency in which the benefits will be paid, and that have terms to maturity approximating to the terms of the related pension liability; when there is no deep market in high-quality corporate bonds, the Group uses interest rates of government bonds (at the balance sheet date) instead.

ii. Remeasurement arising on defined benefit plans are recognized in other comprehensive income in the period in which they arise and are recorded as retained earnings.

C. Employees', directors' and supervisors' remuneration

Employees' remuneration and directors' and supervisors' remuneration are recognized as expenses and liabilities, provided that such recognition is required under legal obligation or constructive obligation and those amounts can be reliably estimated. Any difference between the resolved amounts and the subsequently actual distributed amounts is accounted for as changes in estimates.

(27) Income tax

A. The tax expense for the period comprises current and deferred tax. Tax is recognized in profit or loss, except to the extent that it relates to items recognized in other comprehensive income or items recognized directly in equity, in which cases the tax is recognized in other comprehensive income or equity.

B. The current income tax expense is calculated on the basis of the tax laws enacted or substantively enacted at the balance sheet date in the countries where the Company and its subsidiaries operate and generate taxable income. Management periodically evaluates positions taken in tax returns with respect to situations in accordance with applicable tax regulations. It establishes provisions where appropriate based on the amounts expected to be paid to the tax authorities. An additional 10% tax is levied on the unappropriated retained earnings and is recorded as income tax expense in the year the stockholders resolve to retain the earnings.

C. Deferred tax is recognized, using the balance sheet liability method, on temporary differences arising between the tax bases of assets and liabilities and their carrying amounts in the consolidated balance sheet. However, the deferred tax is not accounted for if it arises from initial recognition of goodwill or of an asset or liability in a transaction other than a business combination that at the time of the transaction affects neither accounting nor taxable profit or loss. Deferred tax is provided on temporary differences arising on investments in subsidiaries and associates, except where the timing of the reversal of the temporary difference is controlled by the Group and it is probable that the temporary difference will not reverse in the foreseeable future. Deferred tax is determined using tax rates (and laws) that have been enacted or substantially enacted by the balance sheet date and are expected to apply when the related deferred tax asset is realized or the deferred tax liability is settled.

D. Deferred tax assets are recognized only to the extent that it is probable that future taxable profit will be available against which the temporary differences can be utilized. At each balance sheet date, unrecognized and recognized deferred tax assets are reassessed.

E. Current income tax assets and liabilities are offset and the net amount reported in the balance sheet when there is a legally enforceable right to offset the recognized amounts and there is an intention to settle on a net basis or realize the asset and settle the liability simultaneously. Deferred tax assets and liabilities are offset on the balance sheet when the entity has the legally enforceable right to offset current tax assets against current tax liabilities and they are levied by the same taxation authority on either the same entity or different entities that intend to settle on a net basis or realize the asset and settle the liability simultaneously.

F. A deferred tax asset shall be recognized for the carryforward of unused tax credits resulting from acquisitions of equipment or technology, research and development expenditures and equity investments to the extent that it is possible that future taxable profit will be available against which the unused tax credits can be utilized.

(28) Dividends

Dividends are recorded in the Company's financial statements in the period in which they are approved by the Company's shareholders. Cash dividends are recorded as liabilities.

(29) Revenue recognition

Sales of goods

A. The Group manufactures and sells tire products. Revenue is measured at the fair value of the consideration received or receivable taking into account of business tax, returns, rebates and discounts for the sale of goods to external customers in the ordinary course of the Group's activities. Revenue arising from the sales of goods should be recognized when the Group has delivered the goods to the customer, the amount of sales revenue can be measured reliably and it is probable that the future economic benefits associated with the transaction will flow to the entity. The delivery of goods is completed when the significant risks and rewards of ownership have been transferred to the customer, the Group retains neither continuing managerial involvement to the degree usually associated with ownership nor effective control over the goods sold, and the customer has accepted the goods based on the sales contract or there is objective evidence showing that all acceptance provisions have been satisfied.

B. The Group offers customers volume discounts and right of return for defective products. The Group estimates such discounts and returns based on historical experience. Provisions for such liabilities are recorded when the sales are recognized. The volume discounts are estimated based on the anticipated annual sales quantities.

C. The Group has customer loyalty programs where the Group grants loyalty award credits (such as 'points'; the award credits can be used to exchange for free or discounted goods) to customers as part of a sales transaction. The fair value of the consideration received or receivable in respect of the initial sale shall be allocated between the initial sale of goods and the award credits. The amount of proceeds allocated to the award credits is measured by reference to the fair value of goods that can be redeemed by using the award credits and the proportion of award credits that are expected to be redeemed by customers. The Group recognizes the deferred portion of the proceeds allocated to the award credits as revenue only when it has fulfilled its obligations in respect of the award credits.

(30) Government grants

Government grants are recognized at their fair value only when there is reasonable assurance that the Group will comply with any conditions attached to the grants and the grants will be received.

Government grants are recognized in profit or loss on a systematic basis over the periods in which the Group recognizes expenses for the related costs for which the grants are intended to compensate. Government grants related to property, plant and equipment are recognized as non-current liabilities and are amortized to profit or loss over the estimated useful lives of the related assets using the straight-line method.

(31) Operating segments

Operating segments are reported in a manner consistent with the internal reporting provided to the chief operating decision-maker. The Group's Chief Operating Decision-Maker, who is responsible for allocating resources and assessing performance of the operating segments.

5. CRITICAL ACCOUNTING JUDGEMENTS, ESTIMATES AND KEY SOURCES OF ASSUMPTION UNCERTAINTY

The preparation of these consolidated financial statements requires management to make critical judgements in applying the Group's accounting policies and make critical assumptions and estimates concerning future events. Assumptions and estimates may differ from the actual results and are continually evaluated and adjusted based on historical experience and other factors. There is no critical accounting judgement, estimates and assumptions uncertainty for the year ended December 31, 2016.

6. DETAILS OF SIGNIFICANT ACCOUNTS

(1) Cash and cash equivalents

	December 31, 2016	December 31, 2015
Cash on hand and petty cash	$ 2,101	$ 2,387
Checking accounts	2,171,362	2,143,275
Demand deposits	17,717,029	15,740,483
Time deposits	9,003,054	4,035,710
Commercial paper	-	399,312
Total	$ 28,893,546	$ 22,321,167
Interest rate range		
Time deposits	0.60%-5.38%	0.23%-6.48%
Commercial paper	-	0.42%

A. The Group transacts with a variety of financial institutions all with high credit quality to disperse credit risk, so it expects that the probability of counterparty default is remote.

B. The Group has reclassified pledged time deposits to 'Other current assets' and 'other non-current assets'. Please refer to Note 8 for details.

(2) Available-for-sale financial assets

Items	December 31, 2016		December 31, 2015	
Current items:				
Listed stocks	$	71,655	$	73,588
Funds		18,930		18,930
		90,585		92,518
Available-for-sale financial assets				
Valuation adjustment		50,819		74,829
	$	141,404	$	167,347
Non-current items:				
Non-Listed stocks	$	58,187	$	58,187

The Group recognized gain (loss) of ($10,290) thousand and $29,996 thousand in other comprehensive income for fair value change and reclassified loss of $13,720 thousand and $0 thousand from entity to profit or loss for the years ended December 31, 2016 and 2015, respectively.

(3) Notes receivable (includes related parties), net

	December 31, 2016		December 31, 2015	
Notes receivable	$	1,454,616	$	2,252,213
Less: allowance for bad debts	(	9,277)	(	9,277)
	$	1,445,339	$	2,242,936

A. The credit quality of notes receivable that were neither past due nor impaired was in the following categories based on the Group’s Credit Quality Control Policy.

	December 31, 2016		December 31, 2015	
Dealer	$	751,054	$	1,497,222
Vehicle assembly factory		548,403		714,350
Other		155,159		40,641
	$	1,454,616	$	2,252,213

B. Movement analysis of financial assets that were impaired is as follows:

(a) As at December 31, 2016 and 2015, the Group does not hold any notes receivable that were impaired.

(b) Movements on the Group provision for impairment of notes receivable are as follows:

	2016		
	Individual provision	Group provision	Total
At January 1 and December 31	$ -	$ 9,227	$ 9,227

	2015		
	Individual provision	Group provision	Total
At January 1 and December 31	$ -	$ 9,227	$ 9,227

(4) Accounts receivable, net

	December 31, 2016	December 31, 2015
Accounts receivable	$ 10,343,329	$ 10,707,103
Less: allowance for bad debts	(12,944)	(12,966)
	$ 10,330,385	$ 10,694,137

A. The credit quality of accounts receivable that were neither past due nor impaired was in the following categories based on the Group's Credit Quality Control Policy:

	December 31, 2016	December 31, 2015
Dealer	$ 4,213,454	$ 4,244,053
Vehicle assembly factory	4,214,700	4,500,705
Others	338,464	268,781
	$ 8,766,618	$ 9,013,539

B. The ageing analysis of accounts receivable that were past due but not impaired is as follows:

	December 31, 2016	December 31, 2015
Up to 30 days	$ 1,035,698	$ 1,193,473
31 to 90 days	370,853	414,283
91 to 180 days	148,444	52,531
Over 181 days	21,716	33,277
	$ 1,576,711	$ 1,693,564

The above ageing analysis was based on past due date.

C. Movement analysis of financial assets that were impaired is as follows:

(a) As of December 31, 2016 and 2015, the Group had no accounts receivable that were impaired.

(b) Movements on the Group provision for impairment of accounts receivable are as follows:

	2016		
	Individual provision	Group provision	Total
At January 1	$ -	$ 12,966	$ 12,966
Effects of foreign exchange	-	(22)	(22)
At December 31	$ -	$ 12,944	$ 12,944

	2015		
	Individual provision	Group provision	Total
At January 1	$ -	$ 12,668	$ 12,668
Reversal of impairment	-	254	254
Effects of foreign exchange	-	44	44
At December 31	$ -	$ 12,966	$ 12,966

D. The Group holds real estate and certificate of deposit collateral as security for accounts receivable.

(5) Inventories

	December 31, 2016		
	Cost	Allowance for valuation loss	Book value
Raw materials	$ 4,754,618	$ -	$ 4,754,618
Work in process	1,567,454	-	1,567,454
Finished goods	5,234,031	(37,592)	5,196,439
Land in progress	830,052	-	830,052
Construction in progress	615,238	-	615,238
Inventory in transit	886,201	-	886,201
Total	$ 13,887,594	(37,592)	$ 13,850,002

	December 31, 2015		
	Cost	Allowance for valuation loss	Book value
Raw materials	$ 4,175,076	$ -	$ 4,175,076
Work in process	1,236,194	-	1,236,194
Finished goods	6,032,664	(41,745)	5,990,919
Land to be built	1,099,403	-	1,099,403
Inventory in transit	711,561	-	711,561
Total	$ 13,254,898	(41,745)	$ 13,213,153

The cost of inventories recognized as expense for the period:

	2016	2015
Cost of goods sold	$ 81,248,547	$ 81,373,218
Loss on inventory retirement	69	2,483
Loss on physical inventory	19,338	(73)
Revenue from sale of scraps	(165,391)	(200,976)
Gain on reversal of decline in market value	(4,153)	(6,151)
Total	$ 81,098,410	$ 81,168,501

For the years ended December 31, 2016 and 2015, the Group reversed from a previous inventory write-down and accounted for as reduction of cost of goods sold because of scrap or sale of inventories that impairment loss was recognised.

(6) Investments accounted for using equity method

The carrying amount of the Group's interests in all individually immaterial joint ventures and the Group's share of the operating results are summarised below:

As of December 31, 2016 and 2015, the carrying amount of the Group's individually immaterial joint ventures amounted to $177,313 thousand and $181,668 thousand, respectively.

	For the years ended December 31	
	2016	2015
Share of profit of associates & joint ventures accounted for using equity method	$ 25,129	$ 37,762
Other comprehensive income-net of tax	(3,772)	1,995
Total comprehensive income	$ 21,357	$ 39,757

(7) Property, plant and equipment

	2016					
	Beginning of period	Additions	Disposals	Transfer	Exchange rate differences	End of period
Cost						
Land	$ 4,547,849	$ 395	$ -	$ 22,976	($ 7,462)	$ 4,563,758
Buildings	43,820,285	726,682	(207,458)	2,397,371	(2,761,903)	43,974,977
Machinery	93,834,228	914,059	(985,162)	4,193,565	(5,956,096)	92,000,594
Testing equipment	3,457,987	34,796	(134,677)	180,548	(162,136)	3,376,518
Transportation equipment	1,247,921	85,666	(34,983)	21,019	(89,135)	1,230,488
Office equipment	580,037	73,082	(24,171)	63,606	(34,482)	658,072
Other facilities	23,493,044	1,983,021	(1,053,402)	1,839,097	(1,431,937)	24,829,823
Unfinished construction and equipment under acceptance	8,190,036	10,534,954	-	(8,689,727)	(444,334)	9,590,929
	$ 179,171,387	$ 14,352,655	($ 2,439,853)	$ 28,455	($ 10,887,485)	$ 180,225,159
Accumulated depreciation						
Buildings	($ 12,677,650)	($ 1,995,165)	$ 109,249	$ -	$ 842,278	($ 13,721,288)
Machinery	(40,820,160)	(5,848,223)	917,472	187,913	2,910,655	(42,652,343)
Testing equipment	(2,283,765)	(291,281)	131,764	-	111,439	(2,331,843)
Transportation equipment	(830,507)	(112,417)	32,857	-	63,207	(846,860)
Office equipment	(367,399)	(76,041)	21,711	(1,586)	20,395	(402,920)
Other facilities	(15,700,525)	(3,221,936)	1,013,271	(180,091)	990,237	(17,099,044)
	($ 72,680,006)	($ 11,545,063)	$ 2,226,324	$ 6,236	$ 4,938,211	($ 77,054,298)
Accumulated impairment						
Machinery	($ 12,651)	$ -	$ -	$ -	$ -	($ 12,651)
Other facilities	(1,926)	-	-	-	-	(1,926)
	($ 14,577)	$ -	$ -	$ -	$ -	($ 14,577)
	$ 106,476,804					$ 103,156,284

	2015					
	Beginning of period	Additions	Disposals	Transfer	Exchange rate differences	End of period
Cost						
Land	$ 4,557,063	$ -	$ -	$ 13,689	($ 22,903)	$ 4,547,849
Buildings	42,805,997	593,156	(11,094)	1,225,737	(793,511)	43,820,285
Machinery	92,751,197	780,915	(949,691)	3,286,511	(2,034,704)	93,834,228
Testing equipment	3,280,358	49,002	(24,095)	210,687	(57,965)	3,457,987
Transportation equipment	1,209,009	78,703	(43,342)	23,114	(19,563)	1,247,921
Office equipment	519,658	39,101	(17,300)	45,677	(7,099)	580,037
Other facilities	21,186,634	2,113,294	(760,366)	1,511,922	(558,440)	23,493,044
Unfinished construction and equipment under acceptance	7,529,821	7,186,336	(63,682)	(6,317,337)	(145,102)	8,190,036
	$ 173,839,737	$ 10,840,507	($ 1,869,570)	$ -	($ 3,639,287)	$ 179,171,387
Accumulated depreciation						
Buildings	($ 10,881,696)	($ 2,007,759)	$ 9,270	$ -	$ 202,535	($ 12,677,650)
Machinery	(36,825,438)	(5,702,693)	853,159	610	854,202	(40,820,160)
Testing equipment	(2,041,785)	(294,947)	23,689	-	29,278	(2,283,765)
Transportation equipment	(762,265)	(119,403)	38,881	-	12,280	(830,507)
Office equipment	(320,699)	(65,016)	14,617	-	3,699	(367,399)
Other facilities	(13,563,006)	(3,173,220)	655,906	(610)	380,405	(15,700,525)
	($ 64,394,889)	($ 11,363,038)	$ 1,595,522	$ -	$ 1,482,399	($ 72,680,006)
Accumulated impairment						
Machinery	($ 12,651)	$ -	$ -	$ -	$ -	($ 12,651)
Other facilities	(1,926)	-	-	-	-	(1,926)
	($ 14,577)	$ -	$ -	$ -	$ -	($ 14,577)
	$ 109,430,271					$ 106,476,804

Amount of borrowing costs capitalized as part of property, plant and equipment and the range of the interest rates for such capitalization are as follows:

	2016	2015
Amount capitalized	$ 43,328	$ 37,230
Range of the interest rates for capitalization	0.39%~5.2%	0.55%~5.5%

(8) Investment property

	2016			
	At January 1, 2016	Additions	Transfer	At December 31, 2016
Cost				
Land	$ 359,315	$ -	($ 22,976)	$ 336,339
Buildings	50,825	-	(23,059)	27,766
	$ 410,140	$ -	($ 46,035)	$ 364,105
Accumulated depreciation				
Buildings	($ 30,850)	($ 727)	$ 10,295	($ 21,282)
Accumulated impairment				
Land	($ 51,038)	$ -	$ -	($ 51,038)
	$ 328,252			$ 291,785

	2015		
	At January 1, 2015	Additions	At December 31, 2015
Cost			
Land	$ 359,315	$ -	$ 359,315
Buildings	50,825	-	50,825
	$ 410,140	$ -	$ 410,140
Accumulated depreciation			
Buildings	($ 29,881)	($ 969)	($ 30,850)
Accumulated impairment			
Land	($ 51,038)	$ -	($ 51,038)
	$ 329,221		$ 328,252

A. Rental income from investment property is shown below:

	2016	2015
Rental income from investment property	$ 8,725	$ 8,725

B. The fair value of the investment property held by the Group as at December 31, 2016 and 2015 were both $624,514 thousand, which was valued by independent appraisers. Valuations were made using the comparison method which is categorized within Level 3 in the fair value hierarchy.

C. The Company acquired the land in Shangmei Section, Dacun Township, Changhua County which is farming and pasturable land. The land will be registered under the Company after the category of the land is changed. Currently, the land is under the name of related party, Mr. /Ms. Chiu. The land is planned to be used for operational expansion. The Company holds the original ownership certificate of such land and signed a land trust agreement, which requires the nominal holder not to transfer the ownership of the land to others.

(9) Other non-current assets

	December 31, 2016	December 31, 2015
Land use right	$ 5,271,301	$ 5,652,943
Others	224,291	212,113
	$ 5,495,592	$ 5,865,056

The Group signed a contract of land use right with term of 40 to 99 years. All rentals had been paid on the contract date. The Group recognized rental expenses of $91,597 thousand and $89,803 thousand for the years ended December 31, 2016 and 2015, respectively.

(10) Short-term borrowings

Type of borrowings	December 31, 2016	Interest rate range	Collateral
Bank borrowings			
Bank unsecured borrowings	$ 12,656,467	0.70%～3.92%	None

Type of borrowings	December 31, 2015	Interest rate range	Collateral
Bank borrowings			
Bank unsecured borrowing	$ 16,206,436	0.95%～4.61%	None

The abovementioned credit loan includes the guarantee of endorsement provided by the Group.

(11) Financial liabilities at fair value through profit or loss

Items	December 31, 2016	December 31, 2015
Current items:		
Financial liabilities held for trading		
Forward foreign exchange contracts	$ -	$ 1
Interest rate swaps	-	19,172
Total	$ -	$ 19,173

A. The Group recognized net loss of $288 thousand and $12,222 thousand on financial liabilities held for trading for the years ended December 31, 2016 and 2015, respectively.

B. The non-hedging derivative instruments transaction and contract information are as follows:

	December 31, 2016		December 31, 2015	
Types of goods	Contract amount (Notional principal)	Contract period	Contract amount (Notional principal)	Contract period
Current items:				
Forward foreign exchange contracts (USD exchange to NTD)	-	-	USD 831 thousand	2015.12.29-2016.02.04
Interest rate swaps	-	-	USD 80,000 thousand	2011.06.03-2016.07.29

(a) Forward foreign exchange contracts

The Group entered into forward foreign exchange contracts to buy (or sell) USD to hedge exchange rate risk of import (or export) proceeds. However, these forward foreign exchange contracts are not accounted for under hedge accounting.

(b) Interest rate swaps

The Group entered into interest rate swap contracts with financial institutions to hedge cash flow risk liability positions. However, these interest rate swap contracts are not accounted for under hedge accounting.

(12) Other payables

	December 31, 2016	December 31, 2015
Wages and salaries payable	$ 1,516,360	$ 1,375,373
Payable on machinery and equipment	1,049,387	784,192
Employee bonus payable	651,385	610,194
Compensation due to directors and supervisors	264,662	357,324
Other accrued expenses	1,963,569	1,904,090
Others	1,557,781	1,283,707
	$ 7,003,144	$ 6,314,880

(13) Other current liabilities

	December 31, 2016	December 31, 2015
Long-term liabilities due within one year	$ 8,638,808	$ 5,096,959
Advance receipts	999,270	717,522
Others	367,215	332,437
	$ 10,005,293	$ 6,146,918

(14) Bonds payable

	December 31, 2016	December 31, 2015
Bonds payable - issued on 2013	$ 3,800,000	$ 3,800,000
Bonds payable - issued on 2014	4,800,000	4,800,000
Bonds payable - issued on 2016	5,000,000	-
Subtotal	13,600,000	8,600,000
Less: current portion	(1,900,000)	-
Total	$ 11,700,000	$ 8,600,000

A. In order to fulfill its issue and repay long-term and short-term loans, the Board of Directors of the Company has resolved to issue domestic secured bonds (“the bonds”). The bond issue has been approved by FSC on September 13, 2016 and completed on September 26, 2016. The bonds were fully issued and total issuance amount was $5 billion with a coupon rate of 0.71%. The issuance period of the bonds is 5 years, which is from September 26, 2016 to September 26, 2021. The terms are as follows:

(a) Interest accrued/ paid:

The interest is accrued/ paid at a single rate annually from the issue date.

(b) Redemption:

The principal of the corporate bond will be redeemed at 50% of the total amount after four and five years from the issue date.

B. In order to meet operational need, repay debts and improve the financial structure, the Board of Directors has resolved the Company to raise domestic unsecured bonds (“the bonds”). The capital raising has been approved by FSC on June 6, 2014 and completed on July 18, 2014. The bonds were fully issued and total issuance amount was $4,800,000 thousand with a coupon rate of 1.40%. The issuance period of the bonds is 5 years, which is from July 18, 2014 to July 18, 2019. The terms is as follows:

(a) Interest accrued/ paid:

The interest is accrued/ paid at a single rate annually from the issue date.

(b) Redemption:

The corporate bond will be redeemed in full amount at the maturity date.

C. In order to fulfil its capital and repay long-term and short-term loans, the Board of Directors has resolved the Company to raise domestic unsecured bonds (“the bonds”). The capital raising has been approved by FSC on May 20, 2013 and completed on August 19, 2013. The bonds were fully issued and total issuance amount was $3,800,000 thousand with a coupon rate of 1.55%. The issuance period of the bonds is 5 years, which is from August 19, 2013 to August 19, 2018. The term is as follows:

(a) Interest accrued/ paid:

The interest is accrued/ paid at a single rate annually from the issue date.

(b) Redemption:

The principal of the corporate bond will be repaid at 50% of the total amount after four and five years from the issue date.

(15) Long-term borrowings

Type of borrowings	Borrowing period and repayment term	Interest rate range	Collateral	December 31, 2016
Installment-repayment borrowings				
Unsecured borrowings	Principal is repayable in installments until December, 2023.	0.83%～2.89%	None	$ 29,572,394
Other borrowings				
Unsecured borrowings	Principal is repayable in January, 2019 at the maturity.	4.75%	None	55,404
				29,627,798
Less: current portion				(6,738,808)
				$ 22,888,990

Type of borrowings	Borrowing period and repayment term	Interest rate range	Collateral	December 31, 2015
Installment-repayment borrowings				
Unsecured borrowings	Principal is repayable in installments until November, 2021.	0.84%～1.81%	None	$ 28,555,879
Less: current portion				(5,096,959)
				$ 23,458,920

A. According to the borrowing contract, the Group shall calculate the financial ratios based on the audited annual financial statements (non-consolidated and consolidated) and the reviewed semi-annual consolidated financial statements. The financial ratios shall be maintained as follows: at least 100% for current ratio, no more than 200% for debt-to-equity ratio, at least 150% for debt-service coverage ratio. The financial ratios as assessed in the financial statements have met the abovementioned requirements for the years ended December 31, 2016 and 2015.

B. The currencies and carrying amounts (in thousands of New Taiwan dollars) of the Group's long-term borrowing denominated in foreign currencies are as follows:

Currency	December 31, 2016	December 31, 2015
USD	$ 14,112,654	$ 11,499,495
JPY	-	415,868
RMB	55,404	-
THB	1,267,000	-
EUR	271,200	315,744

(16) Pensions

A. (a) The Company and its domestic subsidiaries have a defined benefit pension plan in accordance with the Labor Standards Law, covering all regular employees' service years prior to the enforcement of the Labor Pension Act on July 1, 2005 and service years thereafter of employees who chose to continue to be subject to the pension mechanism under the Law. Under the defined benefit pension plan, two units are accrued for each year of service for the first 15 years and one unit for each additional year thereafter, subject to a maximum of 45 units. Pension benefits are based on the number of units accrued and the average monthly salaries and wages of the last 6 months prior to retirement. The Company contributes monthly an amount equal to 2% of the employees' monthly salaries and wages to the retirement fund deposited with Bank of Taiwan, the trustee, under the name of the independent retirement fund committee. Also, the Company would assess the balance in the aforementioned labor pension reserve account by the end of December 31, every year. If the account balance is insufficient to pay the pension calculated by the aforementioned method, to the employees expected to be qualified for retirement next year, the Company will make contributions to cover the deficit by next March

(b) The amounts recognized in the balance sheet are as follows:

	December 31, 2016	December 31, 2015
Present value of defined benefit obligations	$ 1,535,785	$ 1,551,557
Fair value of plan assets	(752,649)	(684,402)
Net defined benefit liability	$ 783,136	$ 867,155

(c) Movements in net defined benefit liabilities are as follows:

	Present value of defined benefit obligations	Fair value of plan assets	Net defined benefit liability
Year ended December 31, 2016			
Balance at January 1	$ 1,551,557	($ 684,402)	$ 867,155
Current service cost	27,965	-	27,965
Interest expense (income)	26,376	(11,634)	14,742
	1,605,898	(696,036)	909,862
Remeasurements:			
Change in financial assumptions	50,225	-	50,225
Experience adjustments	25,117	-	25,117
Return on plan assets (excluding amounts included in interest income or expense)	-	4,980	4,980
	75,342	4,980	80,322
Pension fund contribution	-	(148,959)	(148,959)
Paid pension	(145,455)	87,366	(58,089)
Balance at December 31	$ 1,535,785	($ 752,649)	$ 783,136

	Present value of defined benefit obligations	Fair value of plan assets	Net defined benefit liability
Year ended December 31, 2015			
Balance at January 1	$ 1,553,019	($ 713,459)	$ 839,560
Current service cost	30,533	-	30,533
Interest expense (income)	31,060	(14,269)	16,791
	1,614,612	(727,728)	886,884
Remeasurements:			
Return on plan assets	51,251	-	51,251
Experience adjustments	(13,637)	-	(13,637)
Return on plan asset (excluding amounts included in interest income or expense)	-	(5,583)	(5,583)
Pension fund contribution	37,614	(5,583)	32,031
Paid pension	-	(45,568)	(45,568)
Balance at December 31	(100,669)	94,477	(6,192)
	$ 1,551,557	($ 684,402)	$ 867,155

(d) The Bank of Taiwan was commissioned to manage the Fund of the Company's and domestic subsidiaries' defined benefit pension plan in accordance with the Fund's annual investment and utilization plan and the "Regulations for Revenues, Expenditures, Safeguard and Utilization of the Labor Retirement Fund" (Article 6: The scope of utilization for the Fund includes deposit in domestic or foreign financial institutions, investment in domestic or foreign listed, over-the-counter, or private placement equity securities, investment in domestic or foreign real estate securitization products, etc.). With regard to the utilization of the Fund, its minimum earnings in the annual distributions on the final financial statements shall be no less than the earnings attainable from the amounts accrued from two-year time deposits with the interest rates offered by local banks. If the earnings is less than aforementioned rates, government shall make payment for the deficit after being authorized by the Regulator. The Company has no right to participate in managing and operating that fund and hence the Company is unable to disclose the classification of plan asset fair value in accordance with IAS 19 paragraph 142. The composition of fair value of plan assets as of December 31, 2016 and 2015 is given in the Annual Labor Retirement Fund Utilization Report announced by the government.

For the years ended December 31, 2016 and 2015, the actual return on plan assets was $6,654 thousand and $19,852 thousand, respectively.

(e) The principal actuarial assumptions used were as follows:

	Year ended December 31, 2016	Year ended December 31, 2015
Discount rate	1.40%	1.70%
Future salary increases	3.00%	3.00%

Assumptions regarding future mortality experience are set based on actuarial advice in accordance with published statistics and experience in each territory.

Because the main actuarial assumption changed, the present value of defined benefit obligation is affected. The analysis was as follows:

	Discount rate		Future salary increases	
	Increase 0.25%	Decrease 0.25%	Increase 0.25%	Decrease0.25%
December 31, 2016				
Effect on present value of defined benefit obligation	($ 42,022)	$ 43,760	$ 39,325	($ 38,033)
December 31, 2015				
Effect on present value of defined benefit obligation	($ 40,395)	$ 47,608	$ 42,501	($ 37,092)

The sensitivity analysis above is based on other conditions that are unchanged but only one assumption is changed. In practice, more than one assumption may change all at once. The method of analysing sensitivity and the method of calculating net pension liability in the balance sheet are the same.

(f) Expected contributions to the defined benefit pension plans of the Group for the year ending December 31, 2016 amounts to $40,844 thousand.

(g) As of December 31, 2016, the weighted average duration of that retirement plan is 12 years. The analysis of timing of the future pension payment was as follows:

Within 1 year	$ 128,912
2-5 years	237,293
Over 6 years	411,448
	$ 777,653

B. (a) Effective July 1, 2005, the Company and its domestic subsidiaries have established a defined contribution pension plan (the “New Plan”) under the Labor Pension Act (the “Act”), covering all regular employees with R.O.C. nationality. Under the New Plan, the Company and its domestic subsidiaries contribute monthly an amount based on 6% of the employees’ monthly salaries and wages to the employees’ individual pension accounts at the Bureau of Labor Insurance. The benefits accrued are paid monthly or in lump sum upon termination of employment.

(b) The pension costs under defined contribution pension plans of the Company and MAXXIS (Taiwan) Trading CO., LTD for the years ended December 31, 2016 and 2015, were $116,182 thousand and $106,882 thousand, respectively.

C. (a) The Company’s mainland China subsidiaries have a defined contribution plan. Monthly contributions to an independent fund administered by the government in accordance with the pension regulations in the People’s Republic of China (PRC.) are based on certain percentage of employees’ monthly salaries and wages. The contribution percentage for the years ended December 31, 2016 and 2015 ranged between 14% ~ 20%. Other than the monthly contributions, the Group has no further obligations. The pension costs under defined contribution pension plans of the Group for the years ended December 31, 2016 and 2015, were $403,863 thousand and $358,180 thousand, respectively.

(b) The subsidiaries, Cheng Shin Rubber USA, Inc., Cheng Shin Rubber CANADA, Inc. and Maxxis Tech center Europe B.V., have a defined contribution plan in accordance with the local regulations, and contributions to endowment insurance and pension reserve are based on employees’ salaries and wages. Other than the annual contribution, the subsidiaries have no further obligations. The pension costs under defined contribution pension plans of the

Group for the years ended December 31, 2016 and 2015, were $12,850 thousand and $11,602 thousand, respectively.

(c) Starting from January 2011, the subsidiary, Maxxis International (Thailand) Co., Ltd., has provision for employees' pensions based on the actuarial reports. As of December 31, 2016 and 2015, the net liabilities recognised in the balance sheets were $30,216 thousand and $25,162 thousand, respectively. The subsidiaries established a provident fund in accordance with the Provident Fund Act B.E. 2530 (1987) and has been approved by Ministry of Finance. The fund is contributed by Thailand subsidiaries and employees at 3%~7% of their salaries. Pension was paid from pension fund accounts based on the provident fund act when employees withdrew the fund. The pension costs under defined contribution pension plans for the years ended December 31, 2016 and 2015, were $12,178 thousand and $14,327 thousand, respectively.

(d) According to Indonesian's local government regulation " 2015 PP Nomor 60 " and "2015 PP Nomor 45", since March 2016, the Group's subsidiary, PT MAXXIS International Indonesia, contributes monthly an amount equal to 3.7% and 2% of the employees' monthly salaries and wages to the retirement insurance; contributes monthly an amount equal to 2% and 1% to pension, respectively. For the year ended December 31, 2016, the pension expense accrued in accordance to the aforementioned regulation amounted to Rp 258 thousand.

(e) According to Indonesian's local government regulation "Employees Provident Fund and Miscellaneous Provisions Act, 1952" , since June 2015, the Group's subsidiary, Maxxis Rubber India Private LTD., established employees' provident fund. Employer and employees each contributed 12% of salaries and wages to the provident fund. For the years ended December 31, 2016 and 2015, the pension cost accrued in accordance to the aforementioned regulation amounted to Rp 600 thousand and Rp 7 thousand, respectively.

(17) Share capital

As of December 31, 2016, the Company's authorized capital was $32,414,155 thousand, and all proceeds from shares issued have been collected.

(18) Capital surplus

Pursuant to the R.O.C. Company Act, capital surplus arising from paid-in capital in excess of par value on issuance of common stocks and donations can be used to cover accumulated deficit or to issue new stocks or cash to shareholders in proportion to their share ownership, provided that the Company has no accumulated deficit. Further, the R.O.C. Securities and Exchange Law requires that the amount of capital surplus to be capitalized mentioned above should not exceed 10% of the paid-in capital each year. Capital surplus should not be used to cover accumulated deficit unless the legal reserve is insufficient.

(19) Retained earnings

A. Under the Company's Articles of Incorporation, the current year's earnings, if any, shall first be used to pay taxes and offset prior years' operating losses and then 10% of the remaining amount shall be set aside as legal reserve. The remainder, if any, to be distributed as employees' bonus and directors' and supervisors' remuneration. The ratio shall not be lower than 2% for employees' bonus and shall not be higher than 3% for directors' and supervisors' remuneration. The appropriation of the remaining amount along with the unappropriated earnings shall be proposed by the Board of Directors and be resolved by the shareholders. According to the appropriation of earnings proposed by the Board of Directors, at least 10% ~ 80% of the Company's accumulated distributable earnings shall be appropriated as dividends, and cash dividends shall account for at least 10% of the total dividends distributed.

B. Except for covering accumulated deficit or issuing new stocks or cash to shareholders in proportion to their share ownership, the legal reserve shall not be used for any other purpose. The use of legal reserve for the issuance of stocks or cash to shareholders in proportion to their share ownership is permitted, provided that the distribution of the reserve is limited to the portion in excess of 25% of the Company's paid-in capital.

C. (a) In accordance with the regulations, the Company shall set aside special reserve from the debit balance on other equity items at the balance sheet date before distributing earnings. When debit balance on other equity items is reversed subsequently, the reversed amount could be included in the distributable earnings.

(b) The amounts previously set aside by the Company as special reserve on initial application of IFRSs in accordance with Jin-Guan-Zheng-Fa-Zi Letter No. 1010012865, dated April 6, 2012, shall be reversed proportionately when the relevant assets are used, disposed of or reclassified subsequently.

D. The Company recognized dividends distributed to owners both amounting to $9,724,246 thousand (cash dividend of $3 per share), to shareholders for the years ended December 31, 2015 and 2014, respectively.

E. For the information relating to employees' remuneration (bonuses) and directors' and supervisors' remuneration please refer to Note 6(24).

(20) Other equity items

	2016		
	Currency translation	Available-for-sale investment	Total
At January 1	$ 1,744,319	$ 74,700	$ 1,819,019
Revaluation adjustment – Group	-	(10,528)	(10,528)
Revaluation transfer – Group	-	(13,720)	(13,720)
Currency translation differences:			-
– Group	(6,144,405)	-	(6,144,405)
– Tax on group	1,044,549	-	1,044,549
– Associates	(3,298)	-	(3,298)
– Tax on associates	561	-	561
At December 31	($ 3,358,274)	$ 50,452	($ 3,307,822)

	2015		
	Currency translation	Available-for-sale investment	Total
At January 1	$ 3,402,402	$ 44,370	$ 3,446,772
Revaluation adjustment – Group	-	30,330	30,330
Currency translation differences:			
– Group	(2,000,488)	-	(2,000,488)
– Tax on Group	340,083	-	340,083
– Associates	2,797	-	2,797
– Tax on associates	(475)	-	(475)
At December 31	$ 1,744,319	$ 74,700	$ 1,819,019

(21) Other income

	2016	2015
Interest income	$ 179,998	$ 194,775
Grant revenue	474,137	518,328
Other income	514,289	288,196
Total	$ 1,168,424	$ 1,001,299

(22) Other gains and losses

	2016	2015
Net currency exchange losses	($ 673,142)	($ 1,019,935)
Losses on disposal of property, plant and equipment	(151,637)	(77,370)
Gains on disposal of investments	475	114
Net gains on financial liabilities at fair value through profit or loss	18,829	28,266
Other expenses	(240,452)	(165,942)
Total	($ 1,045,927)	($ 1,234,867)

(23) Finance costs

	2016	2015
Interest expense:		
Bank borrowings	$ 798,097	$ 787,557
Corporate bonds	137,933	144,500
Provisions-discount	12,403	13,056
Losses on fair value change of financial instruments:		
Interest rate swaps	19,117	40,488
	967,550	985,601
Less: capitalisation of qualifying assets	(43,328)	(37,230)
Finance costs	$ 924,222	$ 948,371

(24) Expenses by nature

	2016	2015
Employee benefit expense		
Wages and salaries	$ 11,669,800	$ 10,610,072
Labour and health insurance fees	642,840	587,851
Pension costs	588,638	538,322
Other personel expenses	857,488	619,028
	$ 13,758,766	$ 12,355,273
Raw materials and supplies used	$ 52,847,888	$ 52,268,013
Depreciation charges on property, plant and equipment	$ 11,545,063	$ 11,363,038
Depreciation charges on investment property	$ 727	$ 969

As of December 31, 2016 and 2015, the Company had 5,716 and 5,361 employees, respectively.

A. According to the Articles of Incorporation of the Company, a ratio of distributable profit of the current year, after covering accumulated losses, shall be distributed as employees' compensation and directors' and supervisors' remuneration. The ratio shall not be lower than 2% for employees' compensation and shall not be higher than 3% for directors' and supervisors' remuneration.

B. For the years ended December 31, 2016 and 2015, employees' compensation was accrued at \$324,446 and \$321,913, respectively; while directors' and supervisors' remuneration was accrued at \$257,124 and \$357,324, respectively. The amounts were recognized in salary expenses.

For the years ended December 31, 2016, the employees' compensation and directors' and supervisors' remuneration was estimated and accrued based on 2% and 1.585% of distributable profit of current year as of the end of reporting period.

For 2015, the employees' compensation of 2015 as resolved by the meeting of Board of Directors amounting to \$321,913 was in agreement with those amounts recognised in the 2016 financial statements. The Board of Directors during its meeting resolved to distribute 1.585% of retained earnings as supervisors' remuneration for the year ended December 31, 2015 while the amounts recognized in the financial statements based on 2.22% of retained earnings was \$357,324 for directors' and supervisors' remuneration. The difference of the directors' and supervisors' remuneration for the year ended 2015 between the two was \$102,207 thousand. The difference resulted from adjustment of estimated percentage of directors' and supervisors' remuneration which had been adjusted in the profit or loss for 2016. The employees' compensation for 2015 will be distributed in cash. For the year ended December 31, 2016, the employees' compensation for 2015 has not yet been distributed.

Information about employees' compensation and directors' and supervisors' remuneration of the Company as resolved by the Board of Directors and shareholders' meeting will be posted in the "Market Observation Post System" at the website of the Taiwan Stock Exchange.

(25) Income tax

A. Income tax expense

(a) Components of income tax expense:

	2016	2015
Current tax:		
Current tax on profits for the period	$ 3,695,576	$ 3,773,412
Prior year income tax understimation	329,328	384,642
10% tax on undistributed surplus earnings	174,832	466,963
Total current tax	4,199,736	4,625,017
Deferred tax:		
Origination and reversal of temporary differences	348,769	11,972
Income tax expense	$ 4,548,505	$ 4,636,989

(b) The income tax (charge)/credit relating to components of other comprehensive income is as follows:

	2016	2015
Currency translation differences	$ 1,045,110	$ 339,608
Remeasurement of defined benefit obligations	13,655	5,445
Income tax from other comprehensive income	$ 1,058,765	$ 345,053

B. Reconciliation between income tax expense and accounting profit

	2016	2015
Tax calculated based on profit before tax and statutory tax rate	$ 4,896,631	$ 4,731,961
Effects from items disallowed by tax regulation	84,250	67,087
Tax exempted income by tax regulation	-	(35)
Temporary difference not recognized as deferred tax liabilities	(839,655)	(903,686)
Effect from five-year tax exemption	(96,021)	(113,663)
Prior year income tax (over) underestimation	329,328	384,642
Impact of change in the tax rate on temporary difference between current year and the year realized	(860)	4,340
10% tax on undistributed surplus earnings	174,832	466,963
Taxable loss	-	(620)
Income tax expense	$ 4,548,505	$ 4,636,989

C. Amounts of deferred tax assets or liabilities as a result of temporary difference as a follows:

	2016			
	January 1	Recognised in profit or loss	Recognised in other comprehensive income	December 31
Temporary differences:				
—Deferred tax assets:				
Unrealised gain on inter-affiliated accounts	$ 136,448	($ 7,430)	$ -	$ 129,018
Remeasurement of defined benefit obligations	136,442	-	13,655	150,097
Unrealized evaluation losses on financial asset or liabilities	1,261	(1,261)	-	-
Exchange differences on translation of foreign financial statements	-	-	166,481	166,481
Deferred government grant revenue	379,485	(48,707)	-	330,778
Others	47,489	7,768	-	55,257
Subtotal	$ 701,125	($ 49,630)	$ 180,136	$ 831,631

—Deferred tax liabilities:				
Gain on foreign long-term investments	($ 994,514)	($ 292,627)	$ -	($ 1,287,141)
Adjustment of land value increment tax	(514,733)	-	-	(514,733)
Exchange differences on translation of foreign financial statements	(878,629)	-	878,629	-
Unrealised exchange loss (gain)	(10,684)	2,908	-	(7,776)
Others	(16,991)	(9,420)	-	(26,411)
Subtotal	($2,415,551)	($ 299,139)	$ 878,629	($ 1,836,061)
Total	($1,714,426)	($ 348,769)	$ 1,058,765	($ 1,004,430)

	2015			
	January 1	Recognised in profit or loss	Recognised in other comprehensive income	December 31
Temporary differences:				
—Deferred tax assets:				
Unrealised gain on inter-affiliated accounts	$ 149,851	($ 13,403)	$ -	$ 136,448
Remeasurement of defined benefit obligations	130,997	-	5,445	136,442
Unrealized evaluation losses on financial asset or liabilities	3,810	(2,549)	-	1,261
Deferred government grant revenue	403,107	(23,622)	-	379,485
Others	42,932	4,557	-	47,489
Subtotal	$ 730,697	($ 35,017)	$ 5,445	$ 701,125
—Deferred tax liabilities:				
Gain on foreign long-term investments	($ 986,433)	($ 8,081)	$ -	($ 994,514)
Adjustment of land value increment tax	(514,733)	-	-	(514,733)
Exchange differences on translation of foreign financial statements	(1,218,237)	-	339,608	(878,629)
Unrealised exchange loss (gain)	(19,969)	9,285	-	(10,684)
Others	(38,832)	21,841	-	(16,991)
Subtotal	($2,778,204)	$ 23,045	$ 339,608	($2,415,551)
Total	($2,047,507)	($ 11,972)	$ 345,053	($1,714,426)

D. (a) Mainland China subsidiaries that are included in the Company's consolidated financial statements are productive foreign-based enterprises in the People's Republic of China. Details of the applicable tax rate based on local tax law are as follows:

Investee companies	Details of the tax rate based on local tax law and applicable tax rate is as follows	
	2016	2015
Cheng Shin Rubber(Xiamen) Ind.,Ltd.	15%	15%
Cheng Shin Petrel Tire(Xiamen)Co.,Ltd.	15%	15%
Xiamen Cheng Shin Enterprise Co.,Ltd.	15%	15%
Cheng Shin Rubber(Zhangzhou)Ind Co,,Ltd.	15%	15%
Cheng Shin Tire and Rubber(China)Co.,Ltd.	15%	15%
Cheng Shin Tire and Rubber(Chongging)Co.,Ltd.	15%	15%
Other Mainland China subsidiaries	20% - 25%	20% - 25%

(b) The Company's subsidiary, Cheng Shin (Thailand) is eligible to avail of the local tax incentives wherein Cheng Shin (Thailand) is entitled to tax exemption for the first 8 years from 2004 and 50% of tax exemption for the ninth to thirteenth year. For plant A, the full tax exemption was expired in May 2012 and 50% of tax exemption is applied along with a tax rate of 10% from 2012. For plant B, the year of 2013 is the fifth year of income tax exemption.

(c) The Company's subsidiary, Cheng Shin (Vietnam) is eligible to avail of the local tax incentives wherein Cheng Shin (Vietnam) is entitled to tax exemption for the first 3 years from the year when it starts to generate profit (2009), entitled to a preferential rate of 7.5% for the fourth to tenth year, entitled to a preferential rate of 15% income for the eleventh to twelfth year, and entitled to a tax rate of 25% after the exemption period expires. The income tax rate was both 7.5% for the years ended December 31, 2016 and 2015.

E. In 2009, the investment plan of the Company to increase capital for expanding its production of rubber products is qualified for "Five-year tax exemption incentive for investment in the establishment or expansion of manufacturing enterprises or related technical services from July 1, 2008 to December 31, 2009". The Company is entitled to income tax exemption for 5 consecutive years starting from 2014 to 2018.

F. The Company accrued deferred tax liabilities, taking into account operating result, degree of expansion and dividend policy of each overseas subsidiary. Based on the assessment, the amounts of temporary difference unrecognised as deferred tax liabilities as of December 31, 2016 and 2015 were $43,481,764 thousand and $44,546,032 thousand, respectively.

G. The Company's income tax returns through 2013 have been assessed and approved by the Tax Authority.

H. Unappropriated retained earnings:

	December 31, 2016	December 31, 2015
Earnings generated in and before 1997	$ 26,215	$ 26,215
Earnings generated in and after 1998	42,748,287	40,566,997
Total	$ 42,774,502	$ 40,593,212

I. As of December 31, 2016 and 2015, the balance of the imputation tax credit account was $3,370,734 thousand and $3,795,530 thousand, respectively. The creditable tax rate was 10.26% for the year ended December 31, 2015 and is estimated to be 7.89% for year ended December 31, 2016.

(26) Earnings per share

	2016		
	Amount after tax	Weighted average number of ordinary shares outstanding (share in thousands)	Earnings per share (in dollars)
Basic earnings per share			
Profit attributable to ordinary shareholders of the parent	$ 13,250,903	3,241,416	$ 4.09
Diluted earnings per share			
Profit attributable to ordinary shareholders of the parent	13,250,903	3,241,416	
Assumed conversion of all dilutive potential ordinary shares			
Employees' bonus	-	7,908	
Profit attributable to ordinary shareholders of the parent plus assumed conversion of all dilutive potential ordinary shares	$ 13,250,903	3,249,324	$ 4.08

	2015		
	Amount after tax	Weighted average number of ordinary shares outstanding (share in thousands)	Earnings per share (in dollars)
Basic earnings per share			
Profit attributable to ordinary shareholders of the parent	$ 12,776,655	3,241,416	$ 3.94
Diluted earnings per share			
Profit attributable to ordinary shareholders of the parent	12,776,655	3,241,416	
Assumed conversion of all dilutive potential ordinary shares			
Employees' bonus	-	8,323	
Profit attributable to ordinary shareholders of the parent plus assumed conversion of all dilutive potential ordinary shares	$ 12,776,655	3,249,739	$ 3.93

(27) Supplemental cash flow information

A. Investing activities with partial cash payments

	2016	2015
Purchase of property, plant and equipment	$ 14,352,655	$ 10,840,507
Add: opening balance of payable on equipment	784,192	1,330,470
Less: ending balance of payable on equipment	(1,049,387)	(784,192)
Cash paid during the period	$ 14,087,460	$ 11,386,785

7. RELATED PARTY TRANSACTIONS

(1) Significant related party transactions and balances

A. Operating revenue:

	2016	2015
Sales of goods:		
Associates	$ 643,667	$ 836,151

Price and collection term of abovementioned sales are the same with third parties, which are to collect within 60~90 days.

B. Receivables from related parties:

	December 31, 2016	December 31, 2015
Accounts receivable:		
Associates	$ 129,733	$ 161,489

C. Loans to / from related parties: shown as long-term borrowings.

	December 31, 2016	December 31, 2015
Payables due from related parties		
-Associates	$ 55,404	$ -

The Group obtained financing from associates and financial institutions for capital needs. Please refer to Note 6(15) for interest rates, borrowing periods and repayment methods.

(2) Key management compensation

	2016	2015
Short-term employee benefits	$ 427,228	$ 527,739
Post-employment benefits	4,472	4,864
Total	$ 431,700	$ 532,603

8. PLEDGED ASSETS

The Group's assets pledged as collateral are as follows:

Pledged asset	Book value December 31, 2016	Book value December 31, 2015	Purpose
Time deposits (Other current assets)	$ 14,823	$ 316	Maintenance bond, merchandise delivery guarantee deposit and product liability insurance
Time deposits (Other non-current assets)	185	14,766	Maintenance bond and product liability insurance
	$ 15,008	$ 15,082	

9. SIGNIFICANT CONTINGENT LIABILITIES AND UNRECOGNIZED CONTRACT COMMITMENTS

(1) Contingencies

None.

(2) Commitments

A. Capital expenditure contracted for at the balance sheet date but not yet incurred is as follows:

	December 31, 2016	December 31, 2015
Property, plant and equipment	$ 10,248,341	$ 9,664,889

B. Amount of letter of credit that has been issued but not yet used:

	December 31, 2016	December 31, 2015
Amount of letter of credit that has been issued but not yet used	$ 156,982	$ 510,070

10. SIGNIFICANT DISASTER LOSS

None.

11. SIGNIFICANT EVENTS AFTER THE BALANCE SHEET DATE

None.

12. OTHERS

(1) Capital management

The Group's objectives when managing capital are to safeguard the Group's ability to continue as a going concern in order to provide returns for shareholders and to maintain an optimal capital structure to reduce the cost of capital. The Group monitors capital on the basis of the gearing ratio. This ratio is calculated as net debt divided by total capital. Net debt is calculated as total borrowings (including 'current and non-current borrowings' as shown in the consolidated balance sheet) less cash and cash equivalents. Total capital is calculated as 'equity' as shown in the consolidated balance sheet plus net debt.

During year ended December 31, 2016, the Group's strategy, was unchanged from 2015. The gearing ratios at December 31, 2016 and 2015 were as follows:

	December 31, 2016	December 31, 2015
Total liabilities	$ 79,895,338	$ 76,005,638
Total equity	88,269,388	89,952,584
Less : Intangible assets	-	-
Tangible equity	$ 88,269,388	$ 89,952,584
Debt-equity ratio	90.51%	84.50%

(2) Financial instruments

A. Fair value information of financial instruments

The carrying amounts of the Group's financial instruments not measured at fair value (including cash and cash equivalents, notes receivable, accounts receivable and related parties, other receivables (shown as other current assets), refundable deposits (shown as other non-current assets), short-term loans, notes payable, accounts payable, other payables, long- term borrowings and bonds payable) are approximate to their fair values. The fair value information of financial instruments measured at fair value is provided in Note 12(3).

B. Financial risk management policies

(a) The Group's activities expose it to a variety of financial risks: market risk (including foreign exchange risk, interest rate risk and price risk), credit risk and liquidity risk. The Group's overall risk management programme focuses on the unpredictability of financial markets and seeks to minimize potential adverse effects on the Group's financial position and financial performance.

(b) Risk management is carried out by a central treasury department (Group treasury) under policies approved by the Board of Directors. Group treasury identifies, evaluates and hedges financial risks in close co-operation with the Group's operating units. The material financing activities are reviewed by the Board of Directors in accordance with procedures required by relevant regulations and internal control system. During the implementation of financing plans, the Board of Directors is assisted in its oversight role by the internal audit department. Internal audit undertakes both regular and exceptional reviews of risk management controls and procedures, and reports the results to the Board of Directors.

C. Significant financial risks and degrees of financial risks

(a) Market risk

Foreign exchange risk

i. The Group operates internationally and is exposed to foreign exchange risk arising from various currency exposures, primarily with respect to the USD and RMB. Foreign exchange risk arises from future commercial transactions, recognized assets and liabilities and net investments in foreign operations.

ii. The Group has certain investments in foreign operations, whose net assets are exposed to foreign currency translation risk. Currency exposure arising from the net assets of the Group's foreign operations is managed primarily through borrowings denominated in the relevant foreign currencies.

iii. The Group's businesses involve some non-functional currency operations (the Company's and certain subsidiaries' functional currency: TWD; other certain subsidiaries' functional currency: RMB, THB, VND, CAD, IDR, EUR, INR and USD). The information on assets and liabilities denominated in foreign currencies whose values would be materially affected by the exchange rate fluctuations is as follows:

	2016					
				Sensitivity analysis		
(Foreign currency: functional currency)	Foreign currency amount (In thousands)	Exchange rate	Book value (TWD in thousand)	Degree of variation	Effect on profit or loss	Effect on other comprehensive income
Financial assets						
Monetary items						
USD:TWD	$ 214,030	32.250	$ 6,902,468	1%	$ 69,025	$ -
RMB:TWD	861,038	4.617	3,975,412	1%	39,754	-
EUR:TWD	19,540	33.900	662,406	1%	6,624	-
THB:TWD	133,109	0.905	120,464	1%	1,205	-
JPY:TWD	759,802	0.276	209,705	1%	2,097	-
GBP:TWD	4,582	39.610	181,493	1%	1,815	-
USD:RMB	97,185	6.985	3,134,191	1%	31,342	-
JPY:RMB	447,703	0.060	124,023	1%	1,240	-
GBP:RMB	2,599	8.579	102,944	1%	1,029	-
EUR:RMB	17,735	7.342	601,181	1%	6,012	-
USD:THB	35,146	35.635	1,133,447	1%	11,334	-
EUR:THB	16,565	37.459	561,560	1%	5,616	-
USD:VND	21,641	25,000.000	697,922	1%	6,979	-
USD:CAD	22,952	1.349	740,153	1%	7,402	-
Financial liabilities						
Monetary items						
USD:TWD	$ 13,419	32.250	$ 432,763	1%	$ 4,328	$ -
USD:RMB	212,747	6.985	6,861,036	1%	68,611	-
EUR:RMB	34,632	7.342	1,173,956	1%	11,740	-
USD:THB	133,299	35.635	4,298,849	1%	42,988	-
USD:VND	44,393	25,000.000	1,431,674	1%	14,317	-
USD:IDR	36,000	13,271.605	1,161,000	1%	11,610	-
USD:CAD	14,645	1.349	472,270	1%	4,723	-
USD:INR	180,000	67.923	5,804,971	1%	58,050	-

	2015					
				Sensitivity analysis		
(Foreign currency: functional currency)	Foreign currency amount (In thousands)	Exchange rate	Book value (TWD in thousand)	Degree of variation	Effect on profit or loss	Effect on other comprehensive income
Financial assets						
Monetary items						
USD:TWD	$ 166,302	32.825	$ 5,458,863	1%	$ 54,589	$ -
RMB:TWD	207,177	4.995	1,034,849	1%	10,348	-
EUR:TWD	13,564	35.880	486,676	1%	4,867	-
THB:TWD	156,431	0.915	143,134	1%	1,431	-
USD:RMB	75,545	6.572	2,479,926	1%	24,799	-
EUR:RMB	8,203	7.183	294,316	1%	2,943	-
GBP:RMB	2,083	9.744	101,382	1%	1,014	-
JPY:RMB	586,662	0.055	161,171	1%	1,612	-
USD:THB	57,222	35.890	1,879,133	1%	18,791	-
EUR:THB	16,422	39.230	589,475	1%	5,895	-
USD:VND	21,628	23,280.142	709,939	1%	7,099	-
USD:CAD	18,777	1.389	616,561	1%	6,166	-
USD:IDR	20,785	13,508.230	682,268	1%	6,823	-
Financial liabilities						
Monetary items						
USD:TWD	$ 15,500	32.825	$ 508,788	1%	$ 5,088	$ -
JPY:RMB	1,579,279	0.055	433,867	1%	4,339	-
USD:RMB	512,556	6.572	16,825,748	1%	168,257	-
EUR:RMB	35,727	7.183	1,281,852	1%	12,819	-
USD:THB	167,333	35.890	5,495,107	1%	54,951	-
USD:VND	60,798	23,280.142	1,995,694	1%	19,957	-
USD:CAD	15,974	1.389	524,522	1%	5,245	-

iv. The exchange gain (loss) including realized and unrealized arising from significant foreign exchange variation on the monetary items held by the Group for the years ended December 31, 2016 and 2015, amounted to $673,142 thousand and $1,019,935 thousand, respectively.

Price risk

The Group is exposed to equity securities price risk because of investments held by the Group and classified on the consolidated balance sheet either as available-for-sale or at fair value through profit or loss. The Group is not exposed to commodity price risk. To manage its price risk arising from investments in equity securities, the Group diversifies its portfolio. Diversification of the portfolio is done in accordance with the limits set by the Group.

The Group's investments in equity securities comprise domestic listed and unlisted stocks. The prices of equity securities would change due to the change of the future value of investee companies. If the prices of these equity securities had increased/decreased by 1% with all other variables held constant, post-tax profit for the years ended December 31, 2016 and 2015 would have increased/decreased other components of equity would have increased/decreased by $1,996 thousand and $2,255 thousand, respectively, as a result of gains/losses on equity securities classified as available-for-sale.

Interest rate risk

i. The Group's interest rate risk arises from long-term borrowings. Borrowings issued at variable rates expose the Group to cash flow interest rate risk which is partially offset by cash and cash equivalents held at variable rates. Borrowings issued at fixed rates do not expose the Group to fair value interest rate risk. During the years ended December 31, 2016 and 2015, the Group's borrowings at variable rate were denominated in the TWD, USD, JPY ,THB , RMB and EUR.

ii. Based on the various scenarios, the Group manages its cash flow interest rate risk by using floating-to-fixed interest rate swaps. Such interest rate swaps have the economic effect of converting borrowings from floating rates to fixed rates. Under the interest rate swaps, the Group agrees with other parties to exchange, at specified intervals (primarily quarterly), the difference between fixed contract rates and floating-rate interest amounts calculated by reference to the agreed notional amounts.

iii. At December 31, 2016 and 2015, if interest rates on USD, THB, JPY, RMB and EUR-denominated borrowings at that date had been 0.1% higher/lower with all other variables held constant, post-tax profit for the years ended December 31, 2016 and 2015 would have been $27,956 thousand and $28,600 thousand higher/lower, respectively, mainly as a result of higher/lower interest expense on floating rate borrowings.

(b) Credit risk

i. Credit risk refers to the risk of financial loss to the Group arising from default by the clients or counterparties of financial instruments on the contract obligations. According to the Group's credit policy, each local entity in the Group is responsible for managing and analysing the credit risk for each of their new clients before standard payment and delivery terms and conditions are offered. Internal risk control assesses the credit quality of the customers, taking into account their financial position, past experience and other factors. Credit risk arises from cash and cash equivalents, derivative financial instruments and deposits with banks and financial institutions, as well as credit exposures to wholesale and retail customers, including outstanding receivables.

ii. For the years ended December 31, 2016 and 2015, no credit limits were exceeded during the reporting periods, and management does not expect any significant losses from non-performance by these counterparties.

iii. The ageing analysis of financial assets that were past due but not impaired is as follows Note 6(3) and 6(4)

iv. The individual analysis of financial assets that had been impaired is provided in the statement for each type of financial assets in Note 6(3) and 6(4).

(c) Liquidity risk

i. Cash flow forecasting is performed in the operating entities of the Group and aggregated by Group treasury. Group treasury monitors rolling forecasts of the Group's liquidity requirements to ensure it has sufficient cash to meet operational needs so that the Group does not breach borrowing limits or covenants (where applicable) on any of its borrowing facilities. Such forecasting takes into consideration the Group's debt financing plans, covenant compliance, compliance with internal balance sheet ratio targets and, if applicable external regulatory or legal requirements.

ii. Surplus cash held by the operating entities over and above balance required for working capital management are transferred to the Group treasury. Group treasury invests surplus cash in interest bearing current accounts, time deposits, and marketable securities, choosing instruments with appropriate maturities or sufficient liquidity to provide sufficient head-room as determined by the above-mentioned forecasts.

iii. The table below analyses the Group's non-derivative financial liabilities and net-settled or gross-settled derivative financial liabilities into relevant maturity groupings based on the remaining period at the balance sheet date to the contractual maturity date for non-derivative financial liabilities and to the expected maturity date for derivative financial liabilities. The amounts disclosed in the table are the contractual undiscounted cash flows.

Non-derivative financial liabilities:

December 31, 2016	Less than 90 days	Between 91 and 180 days	Between 181 and 365 days	Over 1 year	Total
Short-term borrowings	$ 7,507,968	$ 3,745,464	$ 1,649,469	$ -	$ 12,902,901
Notes and bills payable	8,653,636	90,401	-	-	8,744,037
Other payables	6,331,174	1,872	335,395	334,703	7,003,144
Guarantee deposits	554	736	-	259,955	261,245
Long-term borrowings	1,390,654	1,255,837	5,337,829	23,054,427	31,038,747
Bonds payable	-	-	2,061,600	11,988,100	14,049,700

Non-derivative financial liabilities:

December 31, 2015	Less than 90 days	Between 91 and 180 days	181 and 365 days	Over 1 year	Total
Short-term borrowings	$ 10,701,411	$ 4,462,786	$ 1,386,931	$ -	$ 16,551,128
Notes and bills payable	6,951,643	-	-	-	6,951,643
Other payables	5,282,903	288,289	418,815	324,873	6,314,880
Guarantee deposits	2,378	-	4	282,641	285,023
Long-term borrowings	1,777,662	815,073	3,017,704	23,709,900	29,320,339
Bonds payable	-	-	126,100	8,889,950	9,016,050

Derivative financial liabilities:

December 31, 2015	Less than 90 days	and 180 days	181 and 365 days	Over 1 year	Total
Interest rate swaps	$ -	$ 7,414	$ 11,758	$ -	$ 19,172
Forward exchange	1	-	-	-	1

(2) Fair value information

A. Details of the fair value of the Group’s financial assets and financial liabilities not measured at fair value are provided in Note 12(2)A. Details of the fair value of the Group’s investment property measured at cost are provided in Note 6(8).

B. The different levels that the inputs to valuation techniques are used to measure fair value of financial and non-financial instruments have been defined as follows:

Level 1:Quoted prices (unadjusted) in active markets for identical assets or liabilities that the entity can access at the measurement date. A market is regarded as active where a market in which transactions for the asset or liability take place with sufficient frequency and volume to provide pricing information on an ongoing basis. The fair value of the Group’s investment in listed stocks, beneficiary certificates, is included in Level 1

Level 2: Inputs other than quoted prices included within Level 1 that are observable for the asset or liability, either directly or indirectly. The fair value of the Group’s investment in most derivative instruments is included in Level 2.

Level 3: Unobservable inputs for the asset or liability. The fair value of the Group's investment in equity investment without active market is included in Level 3.

C. The related information of financial and non-financial instruments measured at fair value by level on the basis of the nature, characteristics and risks of the assets and liabilities at December 31, 2016 and 2015 is as follows:

	December 31, 2016		
	Level 1	Level 2	Level 3
Assets			
Recurring fair value measurements			
Available-for-sale financial assets	$ 141,404	$ -	$ 58,187

	December 31, 2015		
	Level 1	Level 2	Level 3
Assets			
Recurring fair value measurements			
Available-for-sale financial assets	$ 167,347	$ -	$ 58,187
Liabilities			
Recurring fair value measurements			
Financial liabilities at fair value through profit or loss			
-Interest rate swaps	$ -	$ 19,172	$ -
-Forward exchange contracts	-	1	-
	$ -	$ 19,173	$ -

D. The methods and assumptions the Group used to measure fair value are as follows:

(a) The Level 1 the Company used market quoted prices as their fair values, according to the characteristics of instruments, listed shares and balanced mutual fund used closing price as their fair values.

(b) Except for financial instruments with active markets, the fair value of other financial instruments is measured by using valuation techniques or by reference to counterparty quotes.

(c) Level 2: When assessing non-standard and low-complexity financial instruments, for example, debt instruments without active market, interest rate swap contracts, foreign exchange swap contracts and options, the Group adopts valuation technique that is widely used by market participants. The inputs used in the valuation method to measure–these financial instruments are normally observable in the market.

E. For the years ended December 31, 2016 and 2015, there was no transfer between Level 1 and Level 2.

F. There were no movement in Level 3 for the years ended December 31, 2016 and 2015.

13. SUPPLEMENTARY DISCLOSURES

(1) Significant transactions information

A. Loans to others: Please refer to table 1.

B. Provision of endorsements and guarantees to others: Please refer to table 2.

C. Holding of marketable securities at the end of the period (not including subsidiaries, associates and joint ventures): Please refer to table 3.

D. Acquisition or sale of the same security with the accumulated cost exceeding $300 million or 20% of the Company's paid-in capital: None.

E. Acquisition of real estate reaching NT$300 million or 20% of paid-in capital or more: Please refer to table 4.

F. Disposal of real estate reaching NT$300 million or 20% of paid-in capital or more: None.

G. Purchases or sales of goods from or to related parties reaching NT$100 million or 20% of paid-in capital or more: Please refer to table 5.

H. Receivables from related parties reaching NT$100 million or 20% of paid-in capital or more: Please refer to table 6.

I. Trading in derivative instruments undertaken during the reporting periods: Please refer to Notes 6, (11), 6(22) and 12(2).

J. Significant inter-company transactions during the reporting periods: Please refer to table 7.

(2) Information on investees

Names, locations and other information of investee companies (not including investees in Mainland China)：Please refer to table 8.

(3) Information on investments in Mainland China

A. Basic information: Please refer to table 9.

B. Ceiling on investments in Mainland China:.Please refer to table 9.

Significant transactions, either directly or indirectly through a third area, with investee companies in the Mainland Area:

Significant transactions, either directly or indirectly through a third area, with investee companies in the Mainland Area for the year ended December 31, 2016: Please refer to table 5, 6 and 7.

14. SEGMENT INFORMATION

(1) General information

Management has determined the reportable operating segments based on the reports reviewed by the Chief Operating Decision-Maker that are used to make strategic decisions. Business organization is divided into Cheng Shin (Taiwan), Cheng Shin (Xiamen), Cheng Shin (China), Petrel (Xiamen), Cheng Shin (Thailand) and other segments based on the nature of each company. The Group's revenue is mainly from manufacturing and sales of bicycle tires, electrical vehicle tires, reclaimed rubber and etc.

(2) Measurement of segment information

The Group's segment profit (loss) is measured with the profit (loss) before tax, which is used as a basis for the Group in assessing the performance of the operating segments. The accounting policies of the operating segments are in agreement with the significant accounting policies summarized in Note 4.

(3) Information about segment profit or loss, assets and liabilities

The segment information provided to the Chief Operating Decision-Maker for the reportable segments for the years ended December 31, 2016 and 2015 is as follows:

	2016					
	CHENG SHIN RUBBER IND. CO., LTD.	CHENG SHIN RUBBER (XIAMEN) IND., LTD	CHENG SHIN TIRE & RUBBER (CHINA) CO., LTD. and CHENG SHIN PETREL TIRE (XIAMEN) CO., LTD.	MAXXIS INTERNATIONAL (THAILAND) CO., LTD.	All other segments	Total
Revenue						
Revenue from external customers	$ 14,200,853	$ 19,609,820	$ 36,177,235	$ 13,367,721	$ 23,431,635	$ 106,787,264
Revenue from inter-segment revenue	6,436,654	915,002	768,397	1,328,964	4,603,437	14,052,454
Total segment revenue	$ 20,637,507	$ 20,524,822	$ 36,945,632	$ 14,696,685	$ 28,035,072	$ 120,839,718
Segment income	$ 3,850,443	$ 2,386,924	$ 4,788,117	$ 598,273	$ 5,165,225	$ 16,788,982
Depreciation and Amortisation	$ 1,624,454	$ 1,876,936	$ 3,720,392	$ 1,672,036	$ 2,611,971	$ 11,505,789
Interest income	$ 104,899	$ 35,769	$ 73,523	$ 1,911	$ 241,747	$ 457,849
Finance costs	$ 359,095	$ 208,055	$ 127,699	$ 176,926	$ 330,000	$ 1,201,775
Share of profit of associates and joint ventures accounted for under equity method	$ 25,129	$ -	$ -	$ -	$ -	$ 25,129

	2015					
	CHENG SHIN RUBBER IND. CO., LTD.	CHENG SHIN RUBBER (XIAMEN) IND., LTD	CHENG SHIN TIRE & RUBBER (CHINA) CO., LTD. and CHENG SHIN PETREL TIRE (XIAMEN) CO., LTD.	MAXXIS INTERNATIONAL (THAILAND) CO., LTD.	All other segments	Total
Revenue						
Revenue from external customers	$ 16,612,918	$ 22,179,784	$ 34,849,399	$ 13,779,629	$ 21,262,293	$ 108,684,023
Revenue from inter-segment revenue	4,735,562	506,873	606,355	954,446	4,661,485	11,464,721
Total segment revenue	$ 21,348,480	$ 22,686,657	$ 35,455,754	$ 14,734,075	$ 25,923,778	$ 120,148,744
Segment income	$ 4,828,326	$ 2,749,671	$ 4,574,386	$ 111,124	$ 4,409,810	$ 16,673,317
Depreciation and Amortisation	$ 1,549,388	$ 1,856,404	$ 3,805,367	$ 1,820,602	$ 2,413,295	$ 11,445,056
Interest income	$ 79,485	$ 16,867	$ 38,274	$ 1,617	$ 275,952	$ 412,195
Finance costs	$ 378,023	$ 128,496	$ 161,787	$ 193,331	$ 318,544	$ 1,180,181
Share of profit of associates and joint ventures accounted for under equity method	$ 37,762	$ -	$ -	$ -	$ -	$ 37,762

(4) Reconciliation for segment income (loss)

A. A reconciliation of income after adjustment and total segment income from continuing operations is provided as follows:

	2016	2015
Adjusted revenue from reportable segments	$ 120,839,718	$ 120,148,744
Adjusted revenue from other operating segments	11,368,481	9,525,000
Total operating segments	132,208,199	129,673,744
Elimination of inter-segment revenue	(14,820,680)	(12,947,451)
Total consolidated operating revenue	$ 117,387,519	$ 116,726,293

B. A reconciliation of adjusted current income/(loss) before tax and the income/(loss) before tax from continuing operations is provided as follow:

	2016	2015
Adjusted income from reportable segments before income tax	$ 16,788,982	$ 16,673,317
Adjusted income from other operating segments before income tax	1,055,524	768,893
Total operating segments	17,844,506	17,442,210
Income from elimination of inter-segment revenue	50,480	33,993
income tax	$ 17,894,986	$ 17,476,203

(5) Information on products and services

Revenue from external customers is mainly from processing, manufacturing and trading of bicycle tires, electrical vehicle tires, reclaimed rubber, various rubbers and resin and other rubber products.

	2016	2015
Sales revenue	$ 117,387,519	$ 116,726,293

(6) Geographical information

Geographical information for the years ended December 31, 2016 and 2015 is as follows:

	2016		2015	
	Revenue	Non-current assets	Revenue	Non-current assets
Mainland China	$ 60,703,867	$ 69,787,247	$ 61,521,083	$ 76,179,682
US	10,680,285	504,927	9,468,143	512,153
Taiwan	6,860,756	16,406,274	7,432,128	17,107,463
Others	39,142,611	22,245,213	38,304,939	18,870,814
Total	$ 117,387,519	$ 108,943,661	$ 116,726,293	$ 112,670,112

The Company's geographical revenue is calculated based on the countries where sales incur. Non-current assets refer to property, plant and equipment, investment property, intangible asset (shown as other non-current asset), land use right (shown as other non-current asset) and guarantee deposits paid (shown as other non-current asset), but exclude financial instruments and deferred income tax assets.

(7) Major customer information

None of the revenue from any single customer has exceeded 10% of the revenue in the consolidated statement of comprehensive income for the years ended December 31, 2016 and 2015.

CHENG SHIN RUBBER IND. CO., LTD. AND SUBSIDIARIES

Loans to others

For the year ended December 31, 2016

Table 1

Expressed in thousands of NTD
(Except as otherwise indicated)

No. (Note 1)	Creditor	Borrower	General ledger account	Is a related party	Maximum outstanding balance during the year ended December 31, 2016	Balance at December 31, 2016 (Note 5)	Actual amount drawn down	Interest rate	Nature of loan	Amount of transactions with the borrower	Reason for short-term financing	Allowance for doubtful accounts	Collateral Item	Collateral Value	Limit on loans granted to a single party (Note 2)	Ceiling on total loans granted (Note 3)	Footnote
1	XIAMEN CHENG SHIN ENTERPRISE CO., LTD.	CHENG SHIN RUBBER (ZHANGZHOU) IND CO., LTD.	Other receivables	Yes	$ 4,138,390	$ 4,015,880	$ 3,554,220	2.75%~4.75%	Note 4	$ -	Operating capital	$ -	None	$ -	$ 4,808,881	$ 8,014,802	Note 6
1	XIAMEN CHENG SHIN ENTERPRISE CO., LTD.	CHENG SHIN PETREL TIRE (XIAMEN) CO., LTD.	Other receivables	Yes	336,370	322,600	32,260	2.1414%~2.88261%	Note 4	-	Operating capital	-	None	-	4,808,881	8,014,802	Note 6
1	XIAMEN CHENG SHIN ENTERPRISE CO., LTD.	CHENG SHIN RUBBER (XIAMEN) IND., LTD.	Other receivables	Yes	2,537,454	1,245,920	1,015,090	2.6276%~4.75%	Note 4	-	Operating capital	-	None	-	4,808,881	8,014,802	Note 6
1	XIAMEN CHENG SHIN ENTERPRISE CO., LTD.	CHENG SHIN (XIAMEN) INTL AUTOMOBILE CULTURE CENTER CO., LTD.	Other receivables	Yes	153,564	138,498	110,798	4.75%	Note 4	-	Operating capital	-	None	-	4,808,881	8,014,802	Note 6
2	CHENG SHIN PETREL TIRE (XIAMEN) CO., LTD.	CHENG SHIN RUBBER (XIAMEN) IND., LTD.	Other receivables	Yes	1,982,640	923,320	789,439	4.75%	Note 4	-	Operating capital	-	None	-	7,564,526	12,607,543	Note 6
2	CHENG SHIN PETREL TIRE (XIAMEN) CO., LTD.	XIAMEN ESATE CO., LTD.	Other receivables	Yes	495,660	461,660	92,332	4.75%	Note 4	-	Operating capital	-	None	-	7,564,526	12,607,543	Note 6
3	CHENG SHIN RUBBER (XIAMEN) IND., LTD.	CHENG SHIN RUBBER (ZHANGZHOU) IND CO., LTD.	Other receivables	Yes	2,494,600	2,491,840	586,252	2.88261%~4.75%	Note 4	-	Operating capital	-	None	-	14,503,107	24,171,844	Note 6

Note 1: The numbers filled in for the loans provided by the Company or subsidiaries are as follows:
(1) The Company is '0'.
(2) The subsidiaries are numbered in order starting from '1'.

Note 2: Limit on loans granted by CHENG SHIN RUBBER (XIAMEN) IND., LTD. , CHENG SHIN PETREL TIRE (XIAMEN) CO., LTD. and XIAMEN CHENG SHIN ENTERPRISE CO., LTD. to a single party is 60% of the net assets of CHENG SHIN RUBBER (XIAMEN) IND., LTD. and XIAMEN CHENG SHIN ENTERPRISE CO., LTD.

Note 3: Limit on loans granted by CHENG SHIN RUBBER (XIAMEN) IND., LTD., CHENG SHIN PETREL TIRE (XIAMEN) CO., LTD. and XIAMEN CHENG SHIN ENTERPRISE CO., LTD. to a single party is 100% of the net assets of CHENG SHIN RUBBER (XIAMEN) IND., LTD. and XIAMEN CHENG SHIN ENTERPRISE CO., LTD.

Note 4: Fill in purpose of loan when nature of loan is for short-term financing. The transaction was completed through the trust loans signed with financial institutions in Mainland China.

Note 5: The amount of ending balance was equal to the limit on loans as approved by the Board of Directors.

Note 6: The transactions were eliminated when preparing the consolidated financial statements.

CHENG SHIN RUBBER IND. CO., LTD. AND SUBSIDIARIES

Provision of endorsements and guarantees to others

For the year ended December 31, 2016

Table 2

Expressed in thousands of NTD

(Except as otherwise indicated)

Number (Note 1)	Endorser/ guarantor	Party being endorsed/guaranteed: Company name	Party being endorsed/guaranteed: Relationship with the endorser/ guarantor	Limit on endorsements/ guarantees provided for a single party	Maximum outstanding endorsement/ guarantee amount as of December 31, 2016	Outstanding endorsement/ guarantee amount at December 31, 2016	Actual amount drawn down	Amount of endorsements / guarantees secured with collateral	Ratio of accumulated endorsement/ guarantee amount to net asset value of the endorser/ guarantor company	Ceiling on total amount of endorsements/ guarantees provided	Provision of endorsements/ guarantees by parent company to subsidiary	Provision of endorsements/ guarantees by subsidiary to parent company	Provision of endorsements/ guarantees to the party in Mainland China	Footnote
0	Cheng Shin Rubber Ind. Co., Ltd.	MAXXIS International (Thailand) Co., Ltd.	Sub-subsidiary	$ 43,746,626	$ 8,912,259	$ 8,415,300	$ 4,733,705	$ -	9.62	$ 61,245,276	Y	N	N	Note 2 , Note 5
0	Cheng Shin Rubber Ind. Co., Ltd.	Cheng Shin Rubber (Vietnam) IND Co., Ltd.	Sub-subsidiary	43,746,626	3,901,892	1,419,440	800,048	-	1.62	61,245,276	Y	N	N	Note 2 , Note 5
0	Cheng Shin Rubber Ind. Co., Ltd.	CHENG SHIN TIRE & RUBBER (CHONGQING) CO., LTD.	Sub-subsidiary	43,746,626	4,709,180	4,516,400	1,787,741	-	5.16	61,245,276	Y	N	Y	Note 2 , Note 5
0	Cheng Shin Rubber Ind. Co., Ltd.	CHENG SHIN RUBBER (ZHANGZHOU) IND CO., LTD.	Sub-subsidiary	43,746,626	1,513,665	1,451,700	967,800	-	1.66	61,245,276	Y	N	Y	Note 2 , Note 5
0	Cheng Shin Rubber Ind. Co., Ltd.	Maxxis Rubber India Private Limited	Subsidiary	43,746,626	6,129,400	6,129,400	5,813,207	-	7.01	61,245,276	Y	N	N	Note 2 , Note 5
0	Cheng Shin Rubber Ind. Co., Ltd.	PT MAXXIS International Indonesia.	Subsidiary	43,746,626	4,226,060	4,226,060	1,471,462	-	4.83	61,245,276	Y	N	N	Note 2 , Note 5
1	CHENG SHIN RUBBER (XIAMEN) IND., LTD.	XIAMEN ESATE CO., LTD.	Note 3 (1)	19,337,475	2,726,130	2,539,130	192,055	-	10.50	24,171,844	N	N	Y	Note 4 , Note 5

Note 1: The numbers filled in for the endorsements/guarantees provided by the Company or subsidiaries are as follows:

(1) The Company is ‘0’.

(2) The subsidiaries are numbered in order starting from ‘1’.

Note 2: Ceiling on the Company's total endorsements/guarantees to others is 70% of the Company's current net assets. $ 61,245,276

Limit on the Company's endorsements/guarantees to a single party is 20% of the Company's net assets. $ 17,498,650

Limit on the Company's endorsements/guarantees to a foreign single affiliate company is 50% of the Company's net assets. $ 43,746,626

Note 3: Relationship between the endorser/guarantor and the Company is classified into the following two categories:

(1) The endorser/guarantor parent company owns directly more than 50% voting shares of the endorsed/guaranteed subsidiary.

(2) The endorser/guarantor parent company and its subsidiaries jointly own more than 50% voting shares of the endorsed/guaranteed company.

Note 4:Limit on the Company's endorsements/gurantees provided to others is 100% of the Company's net assets.

Limit on total endorsements provided to a single party is 80% of the Company's net assets.

Note 5: Outstanding endorsement/guarantee amount and draw down amount are translated at the spot exchange rates prevailing at December 31, 2016.

CHENG SHIN RUBBER IND. CO., LTD. AND SUBSIDIARIES

Holding of marketable securities at the end of the period (not including subsidiaries, associates and joint ventures)

December 31, 2016

Table 3

Expressed in thousands of NTD

(Except as otherwise indicated)

				As of December 31, 2016				
Securities held by	Marketable securities (Note 1)	Relationship with the securities issuer	General ledger account	Number of shares/ units	Book value	Ownership (%)	Fair value	Footnote
Cheng Shin Rubber Ind. Co., Ltd.	Other fund	-	Current available-for-sale financial assets	-	$ 30,036	-	$ 30,036	Note 2
Cheng Shin Rubber Ind. Co., Ltd.	Other ordinary shares	-	Current available-for-sale financial assets	-	36,111	-	36,111	Note 2
Cheng Shin Rubber Ind. Co., Ltd.	Other ordinary shares	-	Non-current available-for-sale financial assets	-	58,187	-	58,187	Note 2
CIAO SHIN CO., LTD.	Other ordinary shares	-	Current available-for-sale financial assets	-	75,257	-	75,257	Note 2

Note 1: Marketable securities in the table refer to stocks, bonds, beneficiary certificates and other related derivative securities.

Note 2: Other marketable securities do not exceed 5% of the account.

CHENG SHIN RUBBER IND. CO., LTD. AND SUBSIDIARIES

Acquisition of real estate reaching NT$300 million or 20% of paid-in capital or more

For the year ended December 31, 2016

Table 4

Expressed in thousands of NTD
(Except as otherwise indicated)

							If the counterparty is a related party, information as to the last transaction of the real estate is disclosed below:						
Real estate acquired by	Real estate acquired	Date of the event	Transaction amount	Status of payment	Counterparty	Relationship with the counterparty	Original owner who sold the real estate to the counterparty	Relationship between the original owner and the acquirer	Date of the original transaction	Amount	Basis or reference used in setting the price	Reason for acquisition of real estate and status of the real estate	Other commitments
PT MAXXIS International Indonesia	Construction projects	2015/11/27	$ 3,219,528	$ 1,499,354	PT.SMCC UTAMA INDONESIA	Third party	-	-	-	-	Contracts	Operational needs	None

Note 1: The appraisal result should be presented in the 'Basis or reference used in setting the price' column if the real estate acquired should be appraised pursuant to the regulations.
Note 2: Paid-in capital referred to herein is the paid-in capital of parent company.
Note 3: Date of the event referred to herein is the date of contract signing date, date of payment, date of execution of a trading order, date of title transfer, date of board resolution, or other date that can confirm the counterparty and the monetary amount of the transaction, whichever is earlier.

CHENG SHIN RUBBER IND. CO., LTD. AND SUBSIDIARIES

Purchases or sales of goods from or to related parties reaching $100 million or 20% of paid-in capital or more

For the year ended December 31, 2016

Table 5

Expressed in thousands of NTD
(Except as otherwise indicated)

			Transaction				Differences in transaction terms compared to third party transactions (Note 1)		Notes/accounts receivable (payable)		
Purchaser/seller	Counterparty	Relationship with the counterparty	Purchases (sales)	Amount	Percentage of total purchases (sales)	Credit term	Unit price	Credit term	Balance	Percentage of total notes/accounts receivable (payable)	Footnote (Note 2)
Cheng Shin Rubber Ind. Co., Ltd.	CHENG SHIN RUBBER USA, INC.	Subsidiary	(sales)	($ 3,195,456)	(15.48)	Collect within 90 days after shipment of goods	Same	Same	$ 552,093	20.22	Note 4
Cheng Shin Rubber Ind. Co., Ltd.	CHENG SHIN RUBBER CANADA, INC.	Subsidiary	(sales)	(1,340,737)	(6.50)	Collect within 90 days after shipment of goods	Same	Same	348,748	12.77	Note 4
Cheng Shin Rubber Ind. Co., Ltd.	MAXXIS International (Thailand) Co., Ltd.	Sub-subsidiary	(sales)	(260,033)	(1.26)	Collect within 90 days after shipment of goods	Same	Same	32,569	1.19	Note 4
Cheng Shin Rubber Ind. Co., Ltd.	Maxxis(Taiwan) Trading Co., LTD.	Subsidiary	(sales)	(1,485,040)	(7.20)	Collect within 30 days	Same	Same	316,081	11.58	Note 4
Cheng Shin Rubber Ind. Co., Ltd.	MERIDA INDUSTRY CO., LTD.	Associates	(sales)	(130,269)	(0.63)	Collect within 76 days after shipment of goods	Same	Same	34,692	1.27	
CHENG SHIN RUBBER (XIAMEN) IND., LTD.	CHENG SHIN TIRE & RUBBER (CHINA)CO.,LTD.	Same ultimate parent	(sales)	(323,061)	(1.57)	Collect within 60~90 days after shipment of goods	Same	Same	126,033	5.87	Note 4
CHENG SHIN RUBBER (XIAMEN) IND., LTD.	CHENG SHIN RUBBER (ZHANGZHOU) IND CO., LTD.	Same ultimate parent	(sales)	(373,492)	(1.82)	Collect within 60~90 days after shipment of goods	Same	Same	97,470	4.54	Note 4
CHENG SHIN RUBBER (XIAMEN) IND., LTD.	Cheng Shin Holland B.V.	Associates	(sales)	(186,159)	(0.91)	Collect within 60~90 days after shipment of goods	Same	Same	53,013	2.47	Note 4
XIAMEN CHENG SHIN ENTERPRISE CO., LTD.	CHENG SHIN RUBBER (XIAMEN) IND., LTD.	Same ultimate parent	(sales)	(1,996,261)	(43.98)	Collect within 60~90 days after shipment of goods	Same	Same	358,854	36.95	Note 4
XIAMEN CHENG SHIN ENTERPRISE CO., LTD.	CHENG SHIN PETREL TIRE (XIAMEN) CO., LTD.	Same ultimate parent	(sales)	(525,202)	(11.57)	Collect within 60~90 days after shipment of goods	Same	Same	97,704	10.06	Note 4
XIAMEN CHENG SHIN ENTERPRISE CO., LTD.	TIANJIN TAFENG RUBBER IND CO., LTD.	Same ultimate parent	(sales)	(181,157)	(3.99)	Collect within 60~90 days after shipment of goods	Same	Same	32,840	3.38	Note 4
XIAMEN CHENG SHIN ENTERPRISE CO., LTD.	CHENG SHIN RUBBER (ZHANGZHOU) IND CO., LTD.	Same ultimate parent	(sales)	(193,250)	(4.26)	Collect within 60~90 days after shipment of goods	Same	Same	37,936	3.91	Note 4
XIAMEN CHENG SHIN ENTERPRISE CO., LTD.	CHENG SHIN TIRE & RUBBER (CHINA) CO., LTD.	Same ultimate parent	(sales)	(178,612)	(3.93)	Collect within 60~90 days after shipment of goods	Same	Same	29,258	3.01	Note 4
CHENG SHIN RUBBER (ZHANGZHOU) IND CO., LTD.	CHENG SHIN RUBBER (XIAMEN) IND., LTD.	Same ultimate parent	(sales)	(368,598)	(5.08)	Collect within 60~90 days after shipment of goods	Same	Same	74,823	89.02	Note 4
CHENG SHIN TIRE & RUBBER (CHINA) CO., LTD.	CHENG SHIN RUBBER CANADA, INC.	Same ultimate parent	(sales)	(503,877)	(1.98)	Collect within 60~90 days after shipment of goods	Same	Same	106,923	2.72	Note 4
CHENG SHIN TIRE & RUBBER (CHINA) CO., LTD.	CHENG SHIN RUBBER USA, INC.	Same ultimate parent	(sales)	(144,492)	(0.57)	Collect within 60~90 days after shipment of goods	Same	Same	34,221	0.87	Note 4
CHENG SHIN TOYO (KUNSHAN) MACHINERY CO., LTD.	CHENG SHIN TIRE & RUBBER (CHINA) CO., LTD.	Same ultimate parent	(sales)	(240,218)	(49.42)	Collect within 60~90 days after shipment of goods	Same	Same	76,112	71.18	Note 4
CHENG SHIN TIRE & RUBBER (CHONGQING) CO., LTD.	CHENG SHIN TIRE & RUBBER (CHINA) CO., LTD.	Same ultimate parent	(sales)	(831,596)	(9.93)	Collect within 60~90 days after shipment of goods	Same	Same	127,765	20.50	Note 4
Cheng Shin Rubber (Vietnam) IND Co., Ltd.	MAXXIS International (Thailand) Co., Ltd.	Same ultimate parent	(sales)	(227,454)	(4.24)	Collect within 60~90 days after shipment of goods	Same	Same	9,826	1.45	Note 4
MAXXIS International (Thailand) Co., Ltd.	CHENG SHIN RUBBER USA, INC.	Same ultimate parent	(sales)	(880,421)	(5.99)	Collect within 60~90 days after shipment of goods	Same	Same	227,581	12.53	Note 4
MAXXIS International (Thailand) Co., Ltd.	CHENG SHIN TIRE & RUBBER (CHINA) CO., LTD.	Same ultimate parent	(sales)	(192,247)	(1.31)	Collect within 60~90 days after shipment of goods	Same	Same	56,718	3.12	Note 4

CHENG SHIN RUBBER IND. CO., LTD. AND SUBSIDIARIES

Purchases or sales of goods from or to related parties reaching $100 million or 20% of paid-in capital or more

For the year ended December 31, 2016

Table 5

Expressed in thousands of NTD

(Except as otherwise indicated)

			Transaction				Differences in transaction terms compared to third party transactions (Note 1)		Notes/accounts receivable (payable)		
Purchaser/seller	Counterparty	Relationship with the counterparty	Purchases (sales)	Amount	Percentage of total purchases (sales)	Credit term	Unit price	Credit term	Balance	Percentage of total notes/accounts receivable (payable)	Footnote (Note 2)
MAXXIS International (Thailand) Co., Ltd.	Cheng Shin Rubber (Vietnam) IND Co., Ltd.	Same ultimate parent	(sales)	($ 207,559)	(1.41)	Collect within 60~90 days after shipment of goods	Same	Same	$ 37,346	2.06	Note 4

Note 1: If terms of related-party transactions are different from third-party transactions, explain the differences and reasons in the ‘Unit price’ and ‘Credit term’ columns.
Note 2: In case related-party transaction terms involve advance receipts (prepayments) transactions, explain in the footnote the reasons, contractual provisions, related amounts, and differences in types of transactions compared to third-party transactions.
Note 3: Paid-in capital referred to herein is the paid-in capital of parent company.
Note 4: The transactions were eliminated when preparing the consolidated financial statements.

CHENG SHIN RUBBER IND. CO., LTD. AND SUBSIDIARIES

Receivables from related parties reaching NT$100 million or 20% of paid-in capital or more

December 31, 2016

Table 6

Expressed in thousands of NTD

(Except as otherwise indicated)

Creditor	Counterparty	Relationship with the counterparty	Balance as at December 31, 2016	Turnover rate	Overdue receivables: Amount	Overdue receivables: Action taken	Amount collected subsequent to the balance sheet date (Note 1)	Allowance for doubtful accounts
Cheng Shin Rubber Ind. Co., Ltd.	CHENG SHIN RUBBER USA, INC.	Subsidiary (Note 5)	$ 552,354	Note 4	$ -	-	$ 485,120	-
Cheng Shin Rubber Ind. Co., Ltd.	CHENG SHIN RUBBER CANADA, INC.	Subsidiary (Note 5)	348,978	Note 4	-	-	209,119	-
Cheng Shin Rubber Ind. Co., Ltd.	MAXXIS International (Thailand) Co., Ltd.	Sub-subsidiary (Note 5)	248,743	Note 3	-	-	91,476	-
Cheng Shin Rubber Ind. Co., Ltd.	Cheng Shin Rubber (Vietnam) IND Co., Ltd.	Sub-subsidiary (Note 5)	116,969	Note 3	-	-	36,340	-
Cheng Shin Rubber Ind. Co., Ltd.	Maxxis(Taiwan) Trading Co., LTD.	Subsidiary (Note 5)	316,392	Note 4	-	-	316,112	-
CHENG SHIN RUBBER (XIAMEN) IND., LTD.	CHENG SHIN TIRE & RUBBER (CHINA) CO., LTD.	Same ultimate parent (Note 5)	126,033	2.66	-	-	5,001	-
CHENG SHIN RUBBER (XIAMEN) IND., LTD.	CHENG SHIN RUBBER (ZHANGZHOU) IND CO., LTD.	Same ultimate parent (Note 5)	302,720	Note 4	-	-	188,414	-
XIAMEN CHENG SHIN ENTERPRISE CO., LTD.	CHENG SHIN RUBBER (XIAMEN) IND., LTD.	Same ultimate parent (Note 5)	359,937	Note 4	-	-	166,109	-
CHENG SHIN TIRE & RUBBER (CHINA) CO., LTD.	CHENG SHIN RUBBER CANADA, INC.	Same ultimate parent (Note 5)	106,923	4.34	-	-	7,201	-
CHENG SHIN TIRE & RUBBER (CHONGQING) CO., LTD.	CHENG SHIN TIRE & RUBBER (CHINA) CO., LTD.	Same ultimate parent (Note 5)	127,765	5.15	-	-	117,563	-
MAXXIS International (Thailand) Co., Ltd.	CHENG SHIN RUBBER USA, INC.	Same ultimate parent (Note 5)	227,581	5.60	-	-	158,646	-

Note 1: Subsequent collection is the amount collected as of March 13, 2017.

Note 2: Paid-in capital referred to herein is the paid-in capital of parent company.

Note 3: The amount comprises accounts receivable, commission receivable, endorsements/guarantees receivable, patent royalties receivable, royalties receivable for trademark and other receivables and thus, the turnover rate is not calculated

Note 4: The amount comprises accounts receivable and other receivables and thus, the turnover rate is not calculated.

Note 5: The transactions were eliminated when preparing the consolidated financial statements.

CHENG SHIN RUBBER IND. CO., LTD. AND SUBSIDIARIES

Significant inter-company transactions during the reporting periods

For the year ended December 31, 2016

Table 7

Expressed in thousands of NTD
(Except as otherwise indicated)

				Transaction			
Number (Note 1)	Company name	Counterparty	Relationship (Note 2)	General ledger account	Amount (Note 4)	Transaction terms	Percentage of consolidated total operating revenues or total assets (Note 3)
0	Cheng Shin Rubber Ind. Co., Ltd.	CHENG SHIN RUBBER USA, INC.	1	Sales	$ 3,195,456	Collect within 90 days after shipment of goods	2.72%
0	Cheng Shin Rubber Ind. Co., Ltd.	CHENG SHIN RUBBER USA, INC.	1	Accounts receivable	552,093	Collect within 90 days after shipment of goods	0.33%
0	Cheng Shin Rubber Ind. Co., Ltd.	CHENG SHIN RUBBER CANADA, INC.	1	Sales	1,340,737	Collect within 90 days after shipment of goods	1.14%
0	Cheng Shin Rubber Ind. Co., Ltd.	CHENG SHIN RUBBER CANADA, INC.	1	Accounts receivable	348,748	Collect within 90 days after shipment of goods	0.21%
0	Cheng Shin Rubber Ind. Co., Ltd.	MAXXIS International (Thailand) Co., Ltd.	1	Sales	260,033	Collect within 90 days after shipment of goods	0.22%
0	Cheng Shin Rubber Ind. Co., Ltd.	MAXXIS International (Thailand) Co., Ltd.	1	Other receivables	211,439	Collected every quarter	0.18%
0	Cheng Shin Rubber Ind. Co., Ltd.	MAXXIS International (Thailand) Co., Ltd.	1	Sales of fixed assets and other assets	525,364	Collect within 60~90 days after sales of equipment	0.45%
0	Cheng Shin Rubber Ind. Co., Ltd.	Cheng Shin Rubber (Vietnam) IND Co., Ltd.	1	Sales of fixed assets and other assets	215,127	Collect within 60~90 days after sales of equipment	0.18%
0	Cheng Shin Rubber Ind. Co., Ltd.	Maxxis(Taiwan) Trading Co., LTD.	1	Sales	1,485,040	The term is 30 days after monthly billing.	1.27%
0	Cheng Shin Rubber Ind. Co., Ltd.	Maxxis(Taiwan) Trading Co., LTD.	1	Accounts receivable	316,081	The term is 30 days after monthly billing.	0.19%
1	CHENG SHIN RUBBER (XIAMEN) IND., LTD.	CHENG SHIN TIRE & RUBBER (CHINA)CO.,LTD.	3	Sales	323,061	Collect within 60~90 days after shipment of goods	0.28%
1	CHENG SHIN RUBBER (XIAMEN) IND., LTD.	CHENG SHIN RUBBER (ZHANGZHOU) IND CO., LTD.	3	Sales	373,492	Collect within 60~90 days after shipment of goods	0.32%
1	CHENG SHIN RUBBER (XIAMEN) IND., LTD.	CHENG SHIN RUBBER (ZHANGZHOU) IND CO., LTD.	3	Other receivables	586,252	Pay interest quarterly	0.35%
1	CHENG SHIN RUBBER (XIAMEN) IND., LTD.	CHENG SHIN RUBBER (ZHANGZHOU) IND CO., LTD.	3	Sales of fixed assets and other assets	416,438	Collect within 45 days after sales of equipment	0.35%
1	CHENG SHIN RUBBER (XIAMEN) IND., LTD.	CHENG SHIN RUBBER (ZHANGZHOU) IND CO., LTD.	3	Other receivables	205,250	Collect within 45 days after sales of equipment	0.12%
2	XIAMEN CHENG SHIN ENTERPRISE CO., LTD.	CHENG SHIN RUBBER (XIAMEN) IND., LTD.	3	Sales	1,996,261	Collect within 60~90 days after shipment of goods	1.70%
2	XIAMEN CHENG SHIN ENTERPRISE CO., LTD.	CHENG SHIN RUBBER (XIAMEN) IND., LTD.	3	Accounts receivable	358,854	Collect within 60~90 days after shipment of goods	0.21%
2	XIAMEN CHENG SHIN ENTERPRISE CO., LTD.	CHENG SHIN PETREL TIRE (XIAMEN) CO., LTD.	3	Sales	525,202	Collect within 60~90 days after shipment of goods	0.45%
2	XIAMEN CHENG SHIN ENTERPRISE CO., LTD.	CHENG SHIN RUBBER (ZHANGZHOU) IND CO., LTD.	3	Other receivables	3,554,220	Pay interest quarterly	2.11%
2	XIAMEN CHENG SHIN ENTERPRISE CO., LTD.	CHENG SHIN RUBBER (XIAMEN) IND., LTD.	3	Other receivables	1,015,090	Pay interest quarterly	0.60%
3	CHENG SHIN PETREL TIRE (XIAMEN) CO., LTD.	CHENG SHIN RUBBER (XIAMEN) IND., LTD.	3	Other receivables	789,439	Pay interest quarterly	0.47%

CHENG SHIN RUBBER IND. CO., LTD. AND SUBSIDIARIES

Significant inter-company transactions during the reporting periods

For the year ended December 31, 2016

Table 7

Expressed in thousands of NTD

(Except as otherwise indicated)

Number (Note 1)	Company name	Counterparty	Relationship (Note 2)	Transaction: General ledger account	Transaction: Amount (Note 4)	Transaction: Transaction terms	Transaction: Percentage of consolidated total operating revenues or total assets (Note 3)
4	CHENG SHIN RUBBER (ZHANGZHOU) IND CO., LTD.	CHENG SHIN RUBBER (XIAMEN) IND., LTD.	3	Sales	$ 368,598	Collect within 60~90 days after shipment of goods	0.31%
5	CHENG SHIN TOYO (KUNSHAN) MACHINERY CO., LTD.	CHENG SHIN TIRE & RUBBER (CHINA) CO., LTD.	3	Sales	240,218	Collect within 60~90 days after shipment of goods	0.20%
6	CHENG SHIN TIRE & RUBBER (CHINA)CO.,LTD.	CHENG SHIN RUBBER CANADA, INC.	3	Sales	503,877	Collect within 60~90 days after shipment of goods	0.43%
7	CHENG SHIN TIRE & RUBBER (CHONGQING) CO., LTD.	CHENG SHIN TIRE & RUBBER (CHINA) CO., LTD.	3	Sales	831,596	Collect within 60~90 days after shipment of goods	0.71%
8	MAXXIS International (Thailand) Co., Ltd.	CHENG SHIN RUBBER USA, INC.	3	Sales	880,421	Collect within 60~90 days after shipment of goods	0.75%
8	MAXXIS International (Thailand) Co., Ltd.	CHENG SHIN RUBBER USA, INC.	3	Accounts receivable	227,581	Collect within 60~90 days after shipment of goods	0.14%
8	MAXXIS International (Thailand) Co., Ltd.	Cheng Shin Rubber (Vietnam) IND Co., Ltd.	3	Sales	207,559	Collect within 60~90 days after shipment of goods	0.18%
9	Cheng Shin Rubber (Vietnam) IND Co., Ltd.	MAXXIS International (Thailand) Co., Ltd.	3	Sales	227,454	Collect within 60~90 days after shipment of goods	0.19%

Note 1: The numbers filled in for the transaction company in respect of inter-company transactions are as follows:
(1) Parent company is ‘0’.
(2) The subsidiaries are numbered in order starting from ‘1’.

Note 2: Relationship between transaction company and counterparty is classified into the following three categories:
(1) Parent company to subsidiary.
(2) Subsidiary to parent company.
(3) Subsidiary to subsidiary.

Note 3: Regarding percentage of transaction amount to consolidated total operating revenues or total assets, it is computed based on period-end balance of transaction to consolidated total assets for balance sheet accounts and based on accumulated transaction amount for the period to consolidated total operating revenues for income statement accounts.

Note 4: Transaction amounts account for at least NT$200 million.

CHENG SHIN RUBBER IND. CO., LTD. AND SUBSIDIARIES

Information on investees

For the year ended December 31, 2016

Table 8

Expressed in thousands of NTD
(Except as otherwise indicated)

Investor	Investee	Location	Main business activities	Initial investment amount: Balance as at December 31, 2016	Initial investment amount: Balance as at December 31, 2015	Shares held as at December 31, 2016: Number of shares	Shares held as at December 31, 2016: Ownership (%)	Shares held as at December 31, 2016: Book value	Net profit (loss) of the investee for the year ended December 31, 2016	Investment income(loss) recognised by the Company for the year ended December 31, 2016 (Note 1)	Footnote
Cheng Shin Rubber Ind. Co., Ltd.	MAXXIS International Co., Ltd.	Cayman Islands	Holding company	$ 912,218	$ 912,218	35,050,000	100.00	$ 43,421,844	$ 3,810,311	$ 3,822,312	Subsidiary Note 3
Cheng Shin Rubber Ind. Co., Ltd.	CST Trading Ltd.	British Virgin Islands	Holding company	2,103,073	2,103,073	72,900,000	100.00	26,373,039	5,717,105	5,726,831	Subsidiary Note 3
Cheng Shin Rubber Ind. Co., Ltd.	MAXXIS Trading Ltd.	British Virgin Islands	Holding company	7,669,780	7,669,780	237,811,720	100.00	10,878,314	1,649,350	1,641,324	Subsidiary Note 3
Cheng Shin Rubber Ind. Co., Ltd.	CHENG SHIN RUBBER USA, INC.	U.S.A	Import and export of tires	551,820	551,820	1,800,000	100.00	2,580,312	336,706	336,650	Subsidiary Note 3
Cheng Shin Rubber Ind. Co., Ltd.	CHENG SHIN RUBBER CANADA, INC.	Canada	Import and export of tires	32,950	32,950	1,000,000	100.00	624,408	194,837	194,837	Subsidiary Note 3
Cheng Shin Rubber Ind. Co., Ltd.	CIAO SHIN CO., LTD.	Taiwan	Investment in various business	97,000	97,000	9,700,000	97.00	176,165	2,103	2,040	Subsidiary Note 3
Cheng Shin Rubber Ind. Co., Ltd.	NEW PACIFIC INDUSTRY COMPANY LIMITED	Taiwan	Processing and sales of various anti-vibration rubber and hardware	50,001	50,000	5,000,000	50.00	164,767	39,585	19,793	Note 2
Cheng Shin Rubber Ind. Co., Ltd.	MAXXIS Tech Center Europe B.V.	Netherlands	Technical centre	41,260	41,260	1,000,000	100.00	53,470	2,619	2,619	Subsidiary Note 3
Cheng Shin Rubber Ind. Co., Ltd.	Cheng Shin Holland B.V.	Netherlands	Import and export of tires	23,162	23,162	9,708	30.00	12,546	17,787	5,336	Note 2
Cheng Shin Rubber Ind. Co., Ltd.	PT MAXXIS INTERNATIONAL INDONESIA	Indonesia	Production and sales of various types of tires	2,461,355	2,461,355	79,997,000	100.00	2,347,361	(107,242)	(107,242)	Subsidiary Note 3
Cheng Shin Rubber Ind. Co., Ltd.	Maxxis Rubber India Private Limited	India	Production and sales of various types of tires	1,826,095	1,826,095	369,997,000	100.00	1,695,356	(52,349)	(52,349)	Subsidiary Note 3
Cheng Shin Rubber Ind. Co., Ltd.	Maxxis(Taiwan) Trading Co., LTD.	Taiwan	Wholesale and retail of tires	100,000	-	10,000,000	100.00	298,139	198,139	198,139	Subsidiary Note 3
MAXXIS International Co., Ltd.	MAXXIS International (HK) Ltd.	Hong Kong	Holding company	-	-	226,801,983	100.00	34,073,591	3,693,283	3,693,283	Sub-subsidiary Note 3
CST Trading Ltd.	Cheng Shin International (HK) Ltd.	Hong Kong	Holding company	-	-	246,767,840	100.00	26,229,256	5,719,594	5,719,594	Sub-subsidiary Note 3
MAXXIS Trading Ltd.	MAXXIS Holdings (BVI) Co., Ltd.	British Virgin Islands	Import and export of tires	7,669,780	7,669,780	237,811,720	100.00	11,359,050	1,649,350	1,649,350	Sub-subsidiary Note 3

CHENG SHIN RUBBER IND. CO., LTD. AND SUBSIDIARIES

Information on investees

For the year ended December 31, 2016

Table 8

Expressed in thousands of NTD
(Except as otherwise indicated)

				Initial investment amount		Shares held as at December 31, 2016					
Investor	Investee	Location	Main business activities	Balance as at December 31, 2016	Balance as at December 31, 2015	Number of shares	Ownership (%)	Book value	Net profit (loss) of the investee for the year ended December 31, 2016	Investment income(loss) recognised by the Company for the year ended December 31, 2016 (Note 1)	Footnote
MAXXIS Holdings (BVI) Co., Ltd.	MAXXIS International (Thailand) Co., Ltd.	Thailand	Production and sales of truck and automobile tires	5,724,372	5,724,372	65,000,000	100.00	8,550,738	598,253	597,880	Sub-subsidiary Note 3
MAXXIS Holdings (BVI) Co., Ltd.	Cheng Shin Rubber (Vietnam) IND Co., Ltd.	Vietnam	Production and sales of various types of tires	1,945,408	1,945,408	62,000,000	100.00	2,804,969	1,051,141	1,043,489	Sub-subsidiary Note 3

Note 1: Including investment income (loss) used to offset against sidestream and upstream transactions.
Note 2: Investee companies are accounted for under the equity method.
Note 3: The transactions were eliminated when preparing the consolidated financial statements.

CHENG SHIN RUBBER IND. CO., LTD. AND SUBSIDIARIES

Information on investments in Mainland China

For the year ended December 31, 2016

Table 9

Expressed in thousands of NTD
(Except as otherwise indicated)

Investee in Mainland China	Main business activities	Paid-in capital	Investment method (Note 1)	Accumulated amount of remittance from Taiwan to Mainland China as of January 1, 2016	Amount remitted from Taiwan to Mainland China/ Amount remitted back to Taiwan for the year ended December 31, 2016: Remitted to Mainland China	Remitted back to Taiwan	Accumulated amount of remittance from Taiwan to Mainland China for the year ended December 31, 2016	Net income of investee as of December 31, 2016	Ownership held by the Company (direct or indirect)	Investment income (loss) recognised by the Company for the year ended December 31, 2016 (Note 2)	Book value of investments in Mainland China as of December 31, 2016	Accumulated amount of investment income remitted back to Taiwan as of December 31, 2016	Footnote
CHENG SHIN RUBBER (XIAMEN) IND., LTD.	A. Cover and tubes of tires and cover and tubes of bicycle tires B. Reclaimed rubber, adhesive, tape and other rubber products C. Plastic machinery, molds and its accessory products	$ 5,643,750	2	$ 910,834	$ -	$ -	$ 910,834	$ 2,690,831	$ 100	$ 2,696,084	$ 24,171,844	$ 14,924,957	(Note 2、3、5、6、7)
CHENG SHIN TIRE & RUBBER (CHINA) CO., LTD.	A. Cover and tubes of tires and cover and tubes of bicycle tires B. Reclaimed rubber, adhesive, tape and other rubber products C. Plastic machinery, molds and its accessory products	7,256,250	2	2,385,506	-	-	2,385,506	5,110,652	100	5,131,573	24,245,118	13,617,999	(Note 2、4、6、8)
CHENG SHIN TOYO (KUNSHAN) MACHINERY CO., LTD.	Plastic machinery, molds and its accessory products	274,125	2	68,602	-	-	68,602	151,918	50	75,959	356,138	321,234	(Note 6、8)
CHENG SHIN TIRE & RUBBER (CHONGQING) CO., LTD.	A. Cover and tubes of tires and cover and tubes of bicycle tires B. Reclaimed rubber, adhesive, tape and other rubber products C. Plastic machinery, molds and its accessory products	3,225,000	2	-	-	-	-	1,738,865	100	1,739,375	5,662,583	360,728	(Note 2、4、6、8)
KUNSHAN MAXXIS TIRE CO., LTD	Retail of accessories for rubber tires	23,085	2	-	-	-	-	(276)	100	(276)	22,822	-	(Note 6、8)
TIANJIN TAFENG RUBBER IND CO., LTD.	A. Cover and tubes of tires and cover and tubes of bicycle tires B. Reclaimed rubber, adhesive, tape and other rubber products C. Plastic machinery, molds and its accessory products	580,500	2	-	-	-	-	22,512	100	22,512	1,853,740	740,433	(Note 6、7)
CHENG SHIN PETREL TIRE (XIAMEN) CO., LTD.	A. Radial tire and other various tire products B. Reclaimed rubber, adhesive, tape and other rubber products C. Plastic machinery, molds and its accessory products	4,192,500	2	-	-	-	-	160,482	100	160,557	12,619,138	3,524,680	(Note 2、3、6、7)

CHENG SHIN RUBBER IND. CO., LTD. AND SUBSIDIARIES

Information on investments in Mainland China

For the year ended December 31, 2016

Table 9

Expressed in thousands of NTD

(Except as otherwise indicated)

Investee in Mainland China	Main business activities	Paid-in capital	Investment method (Note 1)	Accumulated amount of remittance from Taiwan to Mainland China as of January 1, 2016	Amount remitted from Taiwan to Mainland China/ Amount remitted back to Taiwan for the year ended December 31, 2016		Accumulated amount of remittance from Taiwan to Mainland China for the year ended December 31, 2016	Net income of investee as of December 31, 2016	Ownership held by the Company (direct or indirect)	Investment income (loss) recognised by the Company for the year ended December 31, 2016 (Note 2)	Book value of investments in Mainland China as of December 31, 2016	Accumulated amount of investment income remitted back to Taiwan as of December 31, 2016	Footnote
					Remitted to Mainland China	Remitted back to Taiwan							
XIAMEN CHENG SHIN ENTERPRISE CO., LTD.	A. Radial tire and other various tire products B. Reclaimed rubber, adhesive, tape and other rubber products C. Plastic machinery, molds and its accessory products	$ 1,451,250	2	$ -	$ -	$ -	$ -	$ 858,943	100	$ 864,563	$ 8,014,802	$ 4,055,472	(Note 2、6、7)
CHENG SHIN (XIAMEN) INTL AUTOMOBILE CULTURE CENTER CO., LTD	A. Research, development and testing of tires and automobiles accessory products and display of related products B. Management of racing tracks	645,000	2	-	-	-	-	(54,274)	100	(54,274)	472,878	-	(Note 6)
CHIN CHOU CHENG SHIN ENTERPRISE CO., LTD.	Distribution of rubber and components of tires	161,595	2	-	-	-	-	(14,301)	95	(13,586)	151,368	-	(Note 6、7)
CHENG SHIN LOGISTIC (XIAMEN) CO., LTD.	International container transportation business	66,540	2	-	-	-	-	38,493	49	18,861	199,843	-	(Note 6、7)
CHENG SHIN RUBBER (ZHANGZHOU) IND CO., LTD.	A. Tires and tubes B. Reclaimed rubber, adhesive, tape and other rubber products C. Plastic machinery, molds and its accessory products	4,386,150	2	-	-	-	-	791,024	100	792,077	5,656,186	303,610	(Note 2、5、6、7)
CHENG SHIN(ZHANGZHOU) MECHANICAL & ELECTRICAL ENGINEERING CO., LTD.	Manufacturing and sales of equipment	92,340	2	-	-	-	-	1,279	50	639	78,339	-	(Note 6、7)

CHENG SHIN RUBBER IND. CO., LTD. AND SUBSIDIARIES

Information on investments in Mainland China

For the year ended December 31, 2016

Table 9

Expressed in thousands of NTD

(Except as otherwise indicated)

Investee in Mainland China	Main business activities	Paid-in capital	Investment method (Note 1)	Accumulated amount of remittance from Taiwan to Mainland China as of January 1, 2016	Amount remitted from Taiwan to Mainland China/ Amount remitted back to Taiwan for the year ended December 31, 2016		Accumulated amount of remittance from Taiwan to Mainland China for the year ended December 31, 2016	Net income of investee as of December 31, 2016	Ownership held by the Company (direct or indirect)	Investment income (loss) recognised by the Company for the year ended December 31, 2016 (Note 2)	Book value of investments in Mainland China as of December 31, 2016	Accumulated amount of investment income remitted back to Taiwan as of December 31, 2016	Footnote
					Remitted to Mainland China	Remitted back to Taiwan							
XIAMEN ESATE CO., LTD.	Construction and trading of employees' housing	$ 1,523,610	2	$ -	$ -	$ -	$ -	($ 577)	$ 100	($ 577)	$ 1,500,637	$ -	(Note 6、7)

Note 1: Investment methods are classified into the following three categories:

(1) Directly invest in a company in Mainland China.

(2) Through investing in an existing company in the third area, which then invested in the investee in Mainland China.

(3) Others

Note 2: Including investment income (loss) used to offset against sidestream and upstream transactions.

Note 3: The Company and Cheng Shin Rubber (Xiamen) Ind., Ltd. directly and indirectly holds 60% and 40% of the share ownership in Cheng Shin Petrel Tire (Xiamen) Co., Ltd., respectively.

Note 4: The Company and Cheng Shin Tire & Rubber (China) Co., Ltd. directly and indirectly holds 30% and 70% of share ownership in Cheng Shin Tire & Rubber (Chongqing) Co., Ltd., respectively.

Note 5: Cheng Shin Rubber (Xiamen) Ind., Ltd. and MAXXIS International (HK) Ltd. directly and indirectly holds 75% and 25% of share ownership in Cheng Shin Rubber (Zhangzhou) Ind Co., Ltd, respectively.

Note 6: Paid-in capital was converted at the exchange rate of NTD 32.25: USD 1 and NTD 4.617: RMB 1 prevailing on December 31, 2016.

Note 7: Investment income (loss) was recognised based on the financial statements that are audited and attested by international accounting firm which has cooperative relationship with accounting firm in R.O.C.

Note 8: Investment income (loss) was recognised based on the financial statements that are audited and attested by R.O.C. parent company's CPA.

CHENG SHIN RUBBER IND. CO., LTD. AND SUBSIDIARIES

Ceiling on investments in Mainland China

For the year ended December 31, 2016

Table 9

Expressed in thousands of NTD

(Except as otherwise indicated)

Company name	Accumulated amount of remittance from Taiwan to Mainland China as of December 31, 2016 (Note 1)	Investment amount approved by the Investment Commission of the Ministry of Economic Affairs (MOEA) (Note 1)	Ceiling on investments in Mainland China imposed by the Investment Commission of MOEA (Note 2)
Cheng Shin Rubber Ind. Co., Ltd.	$ 3,963,525	$ 21,701,025	$ -

Note 1: Accumulated amount of remittance from Taiwan to Mainland China as of December 31, 2016 was USD$122,900 thousand and the total investment amount approved by the Investment Commission, MOEA, was USD$672,900 thousand.

Note 2: According to 'Regulations Governing the Permission of Investment or Technical Cooperation in Mainland Area', the Company acquired the operations headquarters certification issued by the Industrial Development Bureau, Ministry of Economic Affairs, R.O.C. and thus, the investments amount in Mainland China is unlimited.

6.5 Individual Consolidated Financial Statements Duly Audited By The Certified Public Accountants In Recent Years

CHENG SHIN RUBBER IND. CO., LTD.

PARENT COMPANY ONLY FINANCIAL STATEMENTS AND REPORT OF INDEPENDENT ACCOUNTANTS

DECEMBER 31, 2016 AND 2015

For the convenience of readers and for information purpose only, the auditors' report and the accompanying financial statements have been translated into English from the original Chinese version prepared and used in the Republic of China. In the event of any discrepancy between the English version and the original Chinese version or any differences in the interpretation of the two versions, the Chinese-language auditors' report and financial statements shall prevail.

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REPORT OF INDEPENDENT ACCOUNTANTS TRANSLATED FROM CHINESE

To the Board of Directors and Shareholders of CHENG SHIN RUBBER IND. CO., LTD.

Opinion

We have audited the accompanying balance sheets of CHENG SHIN RUBBER IND. CO., LTD. as at December 31, 2016 and 2015, and the related statements of comprehensive income, of changes in equity and of cash flows for the years then ended, and notes to the financial statements, including a summary of significant accounting policies.

In our opinion, the accompanying financial statements present fairly, in all material respects, the financial position of CHENG SHIN RUBBER IND. CO., LTD. as at December 31, 2016 and 2015, and its financial performance and its cash flows for the years then ended in accordance with the "Regulations Governing the Preparations of Financial Reports by Securities Issuers" and the International Financial Reporting Standards, International Accounting Standards, IFRIC Interpretations, and SIC Interpretations as endorsed by the Financial Supervisory Commission.

Basis for opinion

We conducted our audits in accordance with the "Regulations Governing Auditing and Attestation of Financial Statements by Certified Public Accountants" and generally accepted auditing standards in the Republic of China (ROC GAAS). Our responsibilities under those standards are further described in the *Auditor's Responsibilities for the Audit of the Financial Statements* section of our report. We are independent of the Company in accordance with the Code of Professional Ethics for Certified Public Accountants in the Republic of China (the "Code"), and we have fulfilled our other ethical responsibilities in accordance with the Code. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

Key audit matters

Key audit matters are those matters that, in our professional judgment, were of most significance in our audit of the financial statements of the current period. These matters were addressed in the context of our audit of the financial statements as a whole and, in forming our opinion thereon, we do not provide a separate opinion on these matters.

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Cut-off on sales revenue

Description

For the accounting policy on revenue recognition, please refer to Note 4(28). For the year ended December 31, 2016, the sales revenue was NT$20,637,507 thousand. The operating income for the consolidated financial statements amounted to NT$117,387,519 thousand.

The Company's main business is manufacturing and sales of various rubber products and tires. The main sources of sales revenue are from the assembly plant and dealers. Sales revenue from the assembly plant are recognised upon shipment of merchandise. In accordance with the contract terms with the assembly plant, as inspections are completed in the assembly plant, the transfer of risk and reward is completed and sales revenue is recognised. The sales revenue recognition process involves many manual controls and adjustments are likely to occur. As a result, the timing of sales revenue recognition could be inappropriate. The aforementioned issues applied to the Company. Therefore, we indicated that the audit of timing of sales revenue recognition as one of the key areas of focus for this year.

How our audit addressed the matter

The procedures that we have conducted in response to the above key audit matter are summarized as follows:

1. We obtained an understanding of the Company's sales revenue cycle, reviewed internal control process and contracts of assembly plant sales in order to assess the effectiveness of managements' control of revenue recognition on assembly plant sales.
2. We tailored our audit over sales cutoff through accounts receivable testing based on the understanding of the Company's policies and procedures employed in the sales process in order to check whether sales revenue and accounts receivable are recorded in the proper period.
3. We tested the Company's sales transactions around the year-end date to check whether assembly plant sales are recorded in the proper period. We also tested whether changes in inventory and cost of goods sold were carried over and recorded in the proper period in order to assess the reasonableness of the sales revenue recognition.

Timing of reclassification of unfinished construction and uninspected equipment to property, plant and equipment.

Description

For the accounting policy on property, plant and equipment, please refer to Note 4(14). For the details

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of property, plant and equipment, please refer to Note 6(7) in the parent company only financial statements. As of December 31, 2016, the unfinished construction and equipment under acceptance was NT$596,738 thousand. Unfinished construction and uninspected equipment amounted to NT$9,590,929 thousand.

To maintain market competitiveness, the Company continuously replaces old production lines with new ones and incurs significant amounts of capital expenditures every year. The unfinished construction and uninspected equipment are measured at cost. When the finished construction's inspection report is issued and the uninspected equipment is ready for use, they are reclassified to property, plant and equipment and starts accrual of depreciation expense. The inspection process involves human judgment, thus, the timing of reclassification and accrual of depreciation expense could be inappropriate. The aforementioned issues applied to the Company. Therefore, we indicated that the audit of timing of depreciation recognition after reclassification of unfinished construction and uninspected equipment to property, plant and equipment as one of the key areas of focus for this year.

How our audit addressed the matter

The procedures that we have conducted in response to the above key audit matter are summarized as follows:

1. We obtained an understanding of the Company's property, plant and equipment process cycle, reviewed internal control process and purchase contracts of property, plant and equipment in order to assess the effectiveness of managements' control of timing of reclassification of unfinished construction and uninspected equipment to property, plant and equipment.
2. We tailored our audit over fixed asset classification to check whether reclassification of assets are accurate and recorded in the proper period.
3. We reviewed the purchase contracts of property, plant and equipment and interviewed management in order to assess the reasonableness of the recognition of unfinished construction and uninspected equipment. We sampled unfinished construction to assess the progress of construction and check whether reclassification to finished construction or recognition of obsolete assets is required. Considering all the factors, we assess the reasonableness of the timing of reclassification of unfinished construction and uninspected equipment to property, plant and equipment

Other matter – Scope of the audit

As described in Note 6(6), we did not audit the financial statements of certain investments accounted for using equity method and related amounts disclosed in Note 13. The balances of investments accounted for using equity method were NT$2,804,969 thousand and NT$2,539,156 thousand, both representing 2% of the total assets as of December 31, 2016 and 2015, respectively; and the share of profit of subsidiaries, associates and joint ventures accounted for using equity method were NT$1,043,489 thousand and NT$795,889 thousand, representing 13% and 7% of the total comprehensive income for the years then ended, respectively. These financial statements and the information disclosed in Note 13 were audited by other independent accountants whose reports thereon have been furnished to us, and our opinion expressed herein, is based solely on the audit reports of the other independent accountants.

Responsibilities of management and those charged with governance for the financial statements

Management is responsible for the preparation and fair presentation of the financial statements in accordance with the "Regulations Governing the Preparations of Financial Reports by Securities Issuers" and the International Financial Reporting Standards, International Accounting Standards, IFRIC Interpretations, and SIC Interpretations as endorsed by the Financial Supervisory Commission, and for such internal control as management determines is necessary to enable the preparation of financial statements that are free from material misstatement, whether due to fraud or error.

In preparing the financial statements, management is responsible for assessing the Company's ability to continue as a going concern, disclosing, as applicable, matters related to going concern and using the going concern basis of accounting unless management either intends to liquidate the Company or to cease operations, or has no realistic alternative but to do so.

Those charged with governance, including supervisors, are responsible for overseeing the Company's financial reporting process.

Auditor's responsibilities for the audit of the financial statements

Our objectives are to obtain reasonable assurance about whether the financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditor's report that includes our opinion. Reasonable assurance is a high level of assurance, but is not a guarantee that an audit conducted in accordance with ROC GAAS will always detect a material misstatement when it exists. Misstatements can arise from fraud or error and are considered material if, individually or in the aggregate, they could reasonably be expected to influence the economic decisions of users taken on the

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basis of these financial statements.

As part of an audit in accordance with ROC GAAS, we exercise professional judgment and maintain professional skepticism throughout the audit. We also:

1. Identify and assess the risks of material misstatement of the financial statements, whether due to fraud or error, design and perform audit procedures responsive to those risks, and obtain audit evidence that is sufficient and appropriate to provide a basis for our opinion. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control.
2. Obtain an understanding of internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the Company's internal control.
3. Evaluate the appropriateness of accounting policies used and the reasonableness of accounting estimates and related disclosures made by management.
4. Conclude on the appropriateness of management's use of the going concern basis of accounting and, based on the audit evidence obtained, whether a material uncertainty exists related to events or conditions that may cast significant doubt on the Company's ability to continue as a going concern. If we conclude that a material uncertainty exists, we are required to draw attention in our auditor's report to the related disclosures in the financial statements or, if such disclosures are inadequate, to modify our opinion. Our conclusions are based on the audit evidence obtained up to the date of our auditor's report. However, future events or conditions may cause the Company to cease to continue as a going concern.
5. Evaluate the overall presentation, structure and content of the financial statements, including the disclosures, and whether the financial statements represent the underlying transactions and events in a manner that achieves fair presentation.
6. Obtain sufficient appropriate audit evidence regarding the financial information of the entities or business activities within the Company to express an opinion on the financial statements. We are responsible for the direction, supervision and performance of the audit. We remain solely responsible for our audit opinion.

We communicate with those charged with governance regarding, among other matters, the planned scope

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and timing of the audit and significant audit findings, including any significant deficiencies in internal control that we identify during our audit.

We also provide those charged with governance with a statement that we have complied with relevant ethical requirements regarding independence, and to communicate with them all relationships and other matters that may reasonably be thought to bear on our independence, and where applicable, related safeguards.

From the matters communicated with those charged with governance, we determine those matters that were of most significance in the audit of the financial statements of the current period and are therefore the key audit matters. We describe these matters in our auditor's report unless law or regulation precludes public disclosure about the matter or when, in extremely rare circumstances, we determine that a matter should not be communicated in our report because the adverse consequences of doing so would reasonably be expected to outweigh the public interest benefits of such communication.

Hung, Shu-Hua

Hung, Shu-Hua

Wu Der-Feng

Wu, Der Feng

For and on behalf of PricewaterhouseCoopers, Taiwan

March 20, 2017

The accompanying financial statements are not intended to present the financial position and results of operations and cash flows in accordance with accounting principles generally accepted in countries and jurisdictions other than the Republic of China. The standards, procedures and practices in the Republic of China governing the audit of such financial statements may differ from those generally accepted in countries and jurisdictions other than the Republic of China. Accordingly, the accompanying financial statements and report of independent accountants are not intended for use by those who are not informed about the accounting principles or auditing standards generally accepted in the Republic of China, and their applications in practice.

CHENG SHIN RUBBER IND. CO., LTD.
PARENT COMPANY ONLY BALANCE SHEETS
(Expressed in thousands of New Taiwan dollars)

	Assets	Notes	December 31, 2016 AMOUNT	%	December 31, 2015 AMOUNT	%
	Current assets					
1100	Cash and cash equivalents	6(1)	$ 11,754,387	10	$ 8,933,048	7
1125	Available-for-sale financial assets - current	6(2)	66,147	-	100,055	-
1150	Notes receivable, net	6(3) and 7	22,314	-	25,209	-
1170	Accounts receivable, net	6(4)	1,369,219	1	1,406,253	1
1180	Accounts receivable - related parties, net	7	1,318,036	1	934,590	1
130X	Inventories, net	6(5)	1,717,092	1	2,077,886	2
1410	Prepayments		438,764	-	198,894	-
1470	Other current assets	7	644,523	1	710,099	1
11XX	**Total current assets**		17,330,482	14	14,386,034	12
	Non-current assets					
1523	Available-for-sale financial assets - non - current	6(2)	58,187	-	58,187	-
1550	Investments accounted for using equity method	6(6)	88,625,721	72	90,614,333	74
1600	Property, plant and equipment, net	6(7)(26)	16,052,715	13	16,761,445	14
1760	Investment property, net	6(8)	291,785	-	328,252	-
1840	Deferred income tax assets	6(24)	458,853	1	286,970	-
1900	Other non-current assets	8	1,251	-	16,067	-
15XX	**Total non-current assets**		105,488,512	86	108,065,254	88
1XXX	**Total assets**		$ 122,818,994	100	$ 122,451,288	100

(Continued)

CHENG SHIN RUBBER IND. CO., LTD.
PARENT COMPANY ONLY BALANCE SHEETS
(Expressed in thousands of New Taiwan dollars)

	Liabilities and Equity	Notes	December 31, 2016 AMOUNT	%	December 31, 2015 AMOUNT	%
	Current liabilities					
2100	Short-term borrowings	6(9)	$ 450,000	-	$ -	-
2120	Financial liabilities at fair value through profit or loss - current	6(10)	-	-	7,415	-
2170	Accounts payable		957,958	1	964,368	1
2180	Accounts payable - related parties	7	19,683	-	14,945	-
2200	Other payables	6(11) and 7	2,561,326	2	2,501,181	2
2230	Current income tax liabilities	6(24)	971,551	1	1,412,819	1
2300	Other current liabilities	6(12)	4,447,598	4	589,945	-
21XX	**Total current liabilities**		9,408,116	8	5,490,673	4
	Non-current liabilities					
2530	Bonds payable	6(13)	11,700,000	10	8,600,000	7
2540	Long-term borrowings	6(14)	11,548,998	9	15,867,000	13
2570	Deferred income tax liabilities	6(24)	1,836,061	1	2,415,551	2
2600	Other non-current liabilities	6(15)	832,568	1	916,927	1
25XX	**Total non-current liabilities**		25,917,627	21	27,799,478	23
2XXX	**Total liabilities**		35,325,743	29	33,290,151	27
	Equity					
	Share capital					
3110	Ordinary shares	6(16)	32,414,155	26	32,414,155	27
	Capital surplus	6(17)				
3200	Capital surplus		52,576	-	52,576	-
	Retained earnings	6(18)(25)				
3310	Legal reserve		12,955,677	11	11,678,012	10
3320	Special reserve		2,604,163	2	2,604,163	2
3350	Unappropriated retained earnings		42,774,502	35	40,593,212	33
	Other equity interest	6(19)				
3400	Other equity interest		(3,307,822)	(3)	1,819,019	1
3XXX	**Total equity**		87,493,251	71	89,161,137	73
	Significant contingent liabilities and unrecognised commitments	9				
	Significant events after the balance sheet date	11				
3X2X	**Total liabilities and equity**		$ 122,818,994	100	$ 122,451,288	100

The accompanying notes are an integral part of these financial statements.

CHENG SHIN RUBBER IND. CO., LTD.

PARENT COMPANY ONLY STATEMENTS OF COMPREHENSIVE INCOME

(Expressed in thousands of New Taiwan dollars, except earnings per share data)

			Year ended December 31			
			2016		2015	
	Items	Notes	AMOUNT	%	AMOUNT	%
4000	**Sales revenue**	7	$ 20,637,507	100	$ 21,348,480	100
5000	**Operating costs**	6(5)	(13,889,311)	(67)	(14,063,907)	(66)
5900	**Net operating margin**		6,748,196	33	7,284,573	34
5910	Unrealized loss (profit) from sales		62,625	-	(70,193)	-
5950	**Gross profit from operation**		6,810,821	33	7,214,380	34
	Operating expenses					
6100	Selling expenses	7	(2,229,808)	(11)	(2,508,537)	(12)
6200	General & administrative expenses		(751,999)	(3)	(644,711)	(3)
6300	Research and development expenses		(983,970)	(5)	(874,677)	(4)
6000	**Total operating expenses**	6(23)	(3,965,777)	(19)	(4,027,925)	(19)
6900	**Operating profit**		2,845,044	14	3,186,455	15
	Non-operating income and expenses					
7010	Other income	6(20) and 7	1,491,751	7	1,396,912	6
7020	Other gains and losses	6(21)	(127,257)	-	622,982	3
7050	Finance costs	6(22)	(359,095)	(2)	(378,023)	(2)
7070	Share of profit of associates and joint ventures accounted for using equity method	6(6)	11,790,290	57	10,588,102	50
7000	**Total non-operating income and expenses**		12,795,689	62	12,229,973	57
7900	**Profit before income tax**		15,640,733	76	15,416,428	72
7950	Income tax expense	6(24)	(2,389,830)	(12)	(2,639,773)	(12)
8200	**Profit for the year**		$ 13,250,903	64	$ 12,776,655	60
	Other comprehensive income	6(19)(24)				
	Components of other comprehensive income that will not be reclassified to profit or loss					
8311	Other comprehensive income, before tax, actuarial losses on defined benefit plans	6(15)	($ 80,322)	-	($ 32,031)	-
8330	Share of other comprehensive income of associates and joint ventures accounted for using equity method, components of other comprehensive income that will not be reclassified to profit or loss		(1,035)	-	(327)	-
8349	Income tax related to components of other comprehensive income that will not be reclassified to profit or loss	6(24)	13,655	-	5,445	-
8310	**Components of other comprehensive income that will not be reclassified to profit or loss**		(67,702)	-	(26,913)	-
	Components of other comprehensive income that will be reclassified to profit or loss					
8361	Other comprehensive income, before tax, exchange differences on translation		(6,147,703)	(30)	(1,997,691)	(9)
8362	Other comprehensive income, before tax, available-for-sale financial assets		(31,974)	-	41,124	-
8380	Total share of other comprehensive income of associates and joint ventures accounted for using equity method		7,726	-	(10,794)	-
8399	Income tax relating to the components of other comprehensive income	6(24)	1,045,110	5	339,608	1
8360	**Components of other comprehensive income that will be reclassified to profit or loss**		(5,126,841)	(25)	(1,627,753)	(8)
8300	**Other comprehensive income for the year**		($ 5,194,543)	(25)	($ 1,654,666)	(8)
8500	**Total comprehensive income for the year**		$ 8,056,360	39	$ 11,121,989	52
	Basic earnings per share	6(25)				
9750	**Basic earnings per share**		$	4.09	$	3.94
	Diluted earnings per share	6(25)				
9850	**Diluted earnings per share**		$	4.08	$	3.93

The accompanying notes are an integral part of these financial statements.

CHENG SHIN RUBBER IND. CO., LTD.
PARENT COMPANY ONLY STATEMENTS OF CHANGES IN EQUITY
(Expressed in thousands of New Taiwan dollars)

			Capital Surplus		Retained Earnings			Other equity interest		
	Notes	Share capital - common stock	Treasury stock transactions	Gain on sale of assets	Legal reserve	Special reserve	Unappropriated retained earnings	Financial statement translation differences of foreign operations	Unrealized gain or loss on available-for-sale financial assets	Total equity
Year ended Decemer 31, 2015										
Balance at January 1, 2015		$ 32,414,155	$ 9,772	$ 42,804	$ 10,076,452	$ 2,604,163	$ 39,169,276	$ 3,402,402	$ 44,370	$ 87,763,394
Appropriations of 2014 earnings:										
Legal reserve		-	-	-	1,601,560	-	(1,601,560)	-	-	-
Cash dividends	6(18)	-	-	-	-	-	(9,724,246)	-	-	(9,724,246)
Profit for the year		-	-	-	-	-	12,776,655	-	-	12,776,655
Other comprehensive (loss) income for the year	6(19)	-	-	-	-	-	(26,913)	(1,658,083)	30,330	(1,654,666)
Balance at December 31, 2015		$ 32,414,155	$ 9,772	$ 42,804	$ 11,678,012	$ 2,604,163	$ 40,593,212	$ 1,744,319	$ 74,700	$ 89,161,137
Year ended Decemer 31, 2016										
Balance at January 1, 2016		$ 32,414,155	$ 9,772	$ 42,804	$ 11,678,012	$ 2,604,163	$ 40,593,212	$ 1,744,319	$ 74,700	$ 89,161,137
Appropriations of 2015 earnings:										
Legal reserve		-	-	-	1,277,665	-	(1,277,665)	-	-	-
Cash dividends		-	-	-	-	-	(9,724,246)	-	-	(9,724,246)
Profit for the year		-	-	-	-	-	13,250,903	-	-	13,250,903
Other comprehensive loss for the year		-	-	-	-	-	(67,702)	(5,102,593)	(24,248)	(5,194,543)
Balance at December 31, 2016		$ 32,414,155	$ 9,772	$ 42,804	$ 12,955,677	$ 2,604,163	$ 42,774,502	($ 3,358,274)	$ 50,452	$ 87,493,251

The accompanying notes are an integral part of these financial statements.

CHENG SHIN RUBBER IND. CO., LTD.
PARENT COMPANY ONLY STATEMENTS OF CASH FLOWS
(Expressed in thousands of New Taiwan dollars)

	Notes	Years ended December 31 2016	2015
CASH FLOWS FROM OPERATING ACTIVITIES			
Profit before tax		$ 15,640,733	$ 15,416,428
Adjustments			
Adjustments to reconcile profit (loss)			
Unrealised (gain) loss on inter-company transactions		(35,944)	37,230
Depreciation	6(7)	1,624,454	1,549,388
Depreciation on investment property	6(8)	727	969
Net gain on financial assets or liabilities at fair value through profit or loss	6(10)(21)	(7,415)	(14,992)
Gain on disposal of investments		(475)	-
Gain on disposal of property, plant and equipment		(206,811)	(238,298)
Share of profit of associates and joint ventures accounted for using equity method	6(6)	(11,790,290)	(10,588,102)
Interest income	6(20)	(104,899)	(79,485)
Interest expense	6(22)	368,259	390,816
Unrealised foreign exchange gain		-	(1,360)
Effect of exchange rate changes on cash and cash equivalents		(359,834)	(78,381)
Changes in operating assets and liabilities			
Changes in operating assets			
Notes receivable, net		2,895	9,578
Accounts receivable		37,034	355,726
Accounts receivable - related parties		(383,446)	398,346
Inventories		360,794	(54)
Other current assets		(141,507)	78,427
Changes in operating liabilities			
Accounts payable		(6,410)	(236,455)
Accounts payable - related parties		4,738	(3,399)
Other payables		79,568	(236,458)
Accrued pension liabilities		(164,341)	(4,436)
Other current liabilities		(2,347)	(19,255)
Cash inflow generated from operations		4,915,483	6,736,233
Interest received		86,879	82,858
Dividends received		7,781,595	8,330,064
Interest paid		(350,801)	(388,108)
Income tax paid		(2,523,708)	(2,978,536)
Net cash flows from operating activities		9,909,448	11,782,511

(Continued)

CHENG SHIN RUBBER IND. CO., LTD.
PARENT COMPANY ONLY STATEMENTS OF CASH FLOWS
(Expressed in thousands of New Taiwan dollars)

	Notes	Years ended December 31 2016	2015
CASH FLOWS FROM INVESTING ACTIVITIES			
Proceeds from capital reduction of available-for-sale financial assets		$ 2,408	$ -
Acquisition of investments accounted for using equity method		(44,502)	(2,613,800)
Proceeds from disposal of property, plant and equipment		766,139	802,781
Acquisition of property, plant and equipment	6(7)(26)	(1,530,309)	(1,763,027)
Payment for capitalized interests	6(7)(26)	(9,141)	(12,793)
Decrease in refundable deposits		50	313,409
Net cash flows used in investing activities		(815,355)	(3,273,430)
CASH FLOWS FROM FINANCING ACTIVITIES			
Increase (decrease) in short-term loans		450,000	(53,034)
Decrease in long-term loans	6(13)	(4,358,002)	(4,216,667)
Increase in long-term loans		2,000,000	7,000,000
Decrease in guarantee deposits received		(340)	(299)
Proceeds from issuing bonds	6(13)	5,000,000	-
Repayments of bonds		-	(2,000,000)
Cash dividends paid	6(18)	(9,724,246)	(9,724,246)
Net cash flows used in financing activities		(6,632,588)	(8,994,246)
Effect of exchange rate changes on cash and cash equivalents		359,834	78,381
Net increase (decrease) in cash and cash equivalents		2,821,339	(406,784)
Cash and cash equivalents at beginning of year	6(1)	8,933,048	9,339,832
Cash and cash equivalents at end of year	6(1)	$ 11,754,387	$ 8,933,048

The accompanying notes are an integral part of these financial statements.

CHENG SHIN RUBBER IND. CO., LTD.

NOTES TO THE PARENT COMPANY ONLY FINANCIAL STATEMENTS

DECEMBER 31, 2016 AND 2015

(Expressed in thousands of New Taiwan dollars, unless otherwise indicated)

1. HISTORY AND ORGANIZATION

Cheng Shin Rubber Ind. Co., Ltd. (the "Company") was incorporated on December 1969 and is primarily engaged in: (a) Processing, manufacturing and trading of bicycle tires, electrical vehicle tires, reclaimed rubber, various rubbers and resin and other rubber products. (b) Manufacturing and trading of various rubber products and relevant rubber machinery.

The Company has been listed on the Taiwan Stock Exchange starting from December 1987.

2. THE DATE OF AUTHORIZATION FOR ISSUANCE OF THE FINANCIAL STATEMENTS AND PROCEDURES FOR AUTHORIZATION

The parent company only financial statements have been authorized for issuance by the Board of Directors on March 20, 2017.

3. APPLICATION OF NEW STANDARDS, AMENDMENTS AND INTERPRETATIONS

(1) Effect of the adoption of new issuances of or amendments to International Financial Reporting

None.

(2) Effect of new issuances of or amendments to IFRSs as endorsed by the FSC but not yet adopted by the Company

New standards, interpretations and amendments endorsed by FSC effective from 2017 are as follows:

New Standards, Interpretations and Amendments	Effective date by International Accounting Standards Board
Investment entities: applying the consolidation exception (amendments to IFRS 10, IFRS 12 and IAS 28)	January 1, 2016
Accounting for acquisition of interests in joint operations (amendments to IFRS 11)	January 1, 2016
IFRS 14,'Regulatory deferral accounts'	January 1, 2016
Disclosure initiative (amendments to IAS 1)	January 1, 2016
Clarification of acceptable methods of depreciation and amortisation (amendments to IAS 16 and IAS 38)	January 1, 2016
Agriculture: bearer plants (amendments to IAS 16 and IAS 41)	January 1, 2016
Defined benefit plans: employee contributions (amendments to IAS 19R)	July 1, 2014
Equity method in separate financial statements (amendments to IAS 27)	January 1, 2016
Recoverable amount disclosures for non-financial assets (amendments to IAS 36)	January 1, 2014
Novation of derivatives and continuation of hedge accounting (amendments to IAS 39)	January 1, 2014
IFRIC 21, 'Levies'	January 1, 2014

New Standards, Interpretations and Amendments	Effective date by International Accounting Standards Board
Improvements to IFRSs 2010-2012	July 1, 2014
Improvements to IFRSs 2011-2013	July 1, 2014
Improvements to IFRSs 2012-2014	January 1, 2016

The above standards and interpretations have no significant impact to the Company's financial condition and operating result based on the Company's assessment.

(3) IFRSs issued by IASB but not yet endorsed by the FSC

New standards, interpretations and amendments issued by IASB but not yet included in the IFRSs endorsed by the FSC effective from 2017 are as follows:

New Standards, Interpretations and Amendments	Effective date by International Accounting Standards Board
Classification and measurement of share-based payment transactions (amendments to IFRS 2)	January 1, 2018
Applying IFRS 9 'Financial instruments'with IFRS 4'Insurance contracts' (amendments to IFRS 4)	January 1, 2018
IFRS 9, 'Financial instruments'	January 1, 2018
Sale or contribution of assets between an investor and its associate or joint venture (amendments to IFRS 10 and IAS 28)	To be determined by International Accounting Standards Board
IFRS 15, 'Revenue from contracts with customers'	January 1, 2018
Clarifications to IFRS 15, 'Revenue from contracts with customers' (amendments to IFRS 15)	January 1, 2018
IFRS 16, 'Leases'	January 1, 2019
Disclosure initiative (amendments to IAS 7)	January 1, 2017
Recognition of deferred tax assets for unrealised losses (amendments to IAS 12)	January 1, 2017
Transfers of investment property (amendments to IAS 40)	January 1, 2018
IFRIC 22, 'Foreign currency transactions and advance consideration'	January 1, 2018
Annual improvements to IFRSs 2014-2016 cycle- Amendments to IFRS 1, 'First-time adoption of International Financial Reporting Standards'	January 1, 2018
Annual improvements to IFRSs 2014-2016 cycle- Amendments to IFRS 12, 'Disclosure of interests in other entities'	January 1, 2017
Annual improvements to IFRSs 2014-2016 cycle- Amendments to IAS 28, 'Investments in associates and joint ventures'	January 1, 2018

Except for the following, the above standards and interpretations have no significant impact to the Company's financial condition and operating results based on the Company's assessment. The quantitative impact will be disclosed when the assessment is complete.

A. IFRS 9, 'Financial instruments'

(a) Classification of debt instruments is driven by the entity's business model and the contractual cash flow characteristics of the financial assets, which would be classified as financial asset at fair value through profit or loss, financial asset measured at fair value through other comprehensive income or financial asset measured at amortized cost. Equity instruments would be classified as financial asset at fair value through profit or loss, unless an entity makes an irrevocable election at inception to present in other comprehensive income subsequent changes in the fair value of an investment in an equity instrument that is not held for trading.

(b) The impairment losses of debt instruments are assessed using an 'expected credit loss' approach. An entity assesses at each balance sheet date whether there has been a significant increase in credit risk on that instrument since initial recognition to recognize 12-month expected credit losses ('ECL') or lifetime ECL (interest revenue would be calculated on the gross carrying amount of the asset before impairment losses occurred); or if the instrument that has objective evidence of impairment, interest revenue after the impairment would be calculated on the book value of net carrying amount (i.e. net of credit allowance).

B. IFRS 15, 'Revenue from contracts with customers'

IFRS 15, 'Revenue from contracts with customers' replaces IAS 11, 'Construction contracts', IAS 18, 'Revenue' and relevant interpretations. According to IFRS 15, revenue is recognized when a customer obtains control of promised goods or services. A customer obtains control of goods or services when a customer has the ability to direct the use of, and obtain substantially all of the remaining benefits from, the asset.

The core principle of IFRS 15 is that an entity recognizes revenue to depict the transfer of promised goods or services to customers in an amount that reflects the consideration to which the entity expects to be entitled in exchange for those goods or services. An entity recognizes revenue in accordance with that core principle by applying the following steps:

Step 1: Identify contracts with customer

Step 2: Identify separate performance obligations in the contract(s)

Step 3: Determine the transaction price

Step 4: Allocate the transaction price

Step 5: Recognize revenue when the performance obligation is satisfied

Further, IFRS 15 includes a set of comprehensive disclosure requirements that requires an entity to disclose sufficient information to enable users of financial statements to understand the nature, amount, timing and uncertainty of revenue and cash flows arising from contracts with customers.

C. Amendments to IFRS 15, 'Clarifications to IFRS 15 Revenue from Contracts with Customers'

The amendments clarify how to identify a performance obligation (the promise to transfer a good or a service to a customer) in a contract; determine whether a company is a principal (the provider of a good or service) or an agent (responsible for arranging for the good or service to be provided); and determine whether the revenue from granting a license should be recognized at a point in time or over time. In addition to the clarifications, the amendments include two additional reliefs to reduce cost and complexity for a company when it first applies the new Standard.

D. Amendments to IAS 7, 'Disclosure initiative'

This amendment requires that an entity shall provide more disclosures related to changes in liabilities arising from financing activities, including both changes arising from cash flows and non-cash changes.

Except for the aforementioned effects, as of the financial statement issuing date, the Company continuously evaluates effects on financial conditions and operating results due to other standards and interpretations. Effects evaluation will be disclosed once completed.

4. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

The principal accounting policies applied in the preparation of the parent company only financial statements are set out below. These policies have been consistently applied to all the periods presented, unless otherwise stated.

(1) Compliance statement

The accompanying parent company only financial statements are prepared in conformity with "Regulations Governing the Preparation of Financial Reports by Securities Issuers".

(2) Basis of preparation

A. Except for the following items, the consolidated financial statements have been prepared under the historical cost convention:

(a) Financial assets and financial liabilities (including derivative instruments) at fair value through profit or loss.

(b) Available-for-sale financial assets measured at fair value.

(c) Defined benefit liabilities recognized based on the net amount of pension fund assets less present value of defined benefit obligation.

B. The preparation of financial statements in conformity with IFRSs requires the use of certain critical accounting estimates. It also requires management to exercise its judgment in the process of applying the Company's accounting policies. The areas involving a higher degree of judgment or complexity, or areas where assumptions and estimates are significant to the consolidated financial statements are disclosed in Note 5.

(3) Foreign currency translation

Items included in the financial statements of the Company are measured using the currency of the primary economic environment in which the entity operates (the "functional currency"). The accompanying parent company only financial statements are presented in New Taiwan dollars, which is the Company's functional and presentation currency.

A. Foreign currency transactions and balances

(a) Foreign currency transactions are translated into the functional currency using the exchange rates prevailing at the dates of the transactions or valuation where items are remeasured.

Foreign exchange gains and losses resulting from the settlement of such transactions are recognized in profit or loss in the period in which they arise.

(b) Monetary assets and liabilities denominated in foreign currencies at the period end are re-translated at the exchange rates prevailing at the balance sheet date. Exchange differences arising upon re-translation at the balance sheet date are recognized in profit or loss.

(c) Non-monetary assets and liabilities denominated in foreign currencies held at fair value through profit or loss are re-translated at the exchange rates prevailing at the balance sheet date; their translation differences are recognized in profit or loss. Non-monetary assets and liabilities denominated in foreign currencies held at fair value through other comprehensive income are re-translated at the exchange rates prevailing at the balance sheet date; their translation differences are recognized in other comprehensive income. However, non-monetary assets and liabilities denominated in foreign currencies that are not measured at fair value are translated using the historical exchange rates at the dates of the initial transactions.

(d) All foreign exchange gains and losses are presented in the statement of comprehensive income within 'other gains and losses.

B. Translation of foreign operations

The operating results and financial position of all the Company entities, associates and joint arrangements that have a functional currency different from the presentation currency are translated into the presentation currency as follows:

(a) Assets and liabilities for each balance sheet presented are translated at the closing exchange rate at the date of that balance sheet;

(b) Income and expenses for each statement of comprehensive income are translated at average exchange rates of that period; and

(c) All resulting exchange differences are recognized in other comprehensive income.

(4) <u>Classification of current and non-current items</u>

A. Assets that meet one of the following criteria are classified as current assets; otherwise they are classified as non-current assets:

(a) Assets arising from operating activities that are expected to be realized, or are intended to be sold or consumed within the normal operating cycle;

(b) Assets held mainly for trading purposes;

(c) Assets that are expected to be realized within twelve months from the balance sheet date;

(d) Cash and cash equivalents, excluding restricted cash and cash equivalents and those that are to be exchanged or used to pay off liabilities more than twelve months after the balance sheet date.

B. Liabilities that meet one of the following criteria are classified as current liabilities; otherwise they are classified as non-current liabilities:

(a) Liabilities that are expected to be settled within the normal operating cycle;
(b) Liabilities arising mainly from trading activities;
(c) Liabilities that are to be settled within twelve months from the balance sheet date;
(d) Liabilities for which the repayment date cannot be extended unconditionally to more than twelve months after the balance sheet date. Terms of a liability that could, at the option of the counterparty, result in its settlement by the issue of equity instruments do not affect its classification.

(5) Cash equivalents

Cash equivalents refer to short-term, highly liquid investments that are readily convertible to known amounts of cash and which are subject to an insignificant risk of changes in value. Time deposits that meet the definition above and are held for the purpose of meeting short-term cash commitments in operations are classified as cash equivalents.

(6) Financial assets at fair value through profit or loss

A. Financial assets at fair value through profit or loss are financial assets held for trading or financial assets designated as at fair value through profit or loss on initial recognition. Financial assets are classified in this category of held for trading if acquired principally for the purpose of selling in the short-term. Derivatives are also categorized as financial assets held for trading unless they are designated as hedges.

B. On a regular way purchase or sale basis, financial assets at fair value through profit or loss are recognized and derecognized using trade date accounting.

C. Financial assets at fair value through profit or loss are initially recognized at fair value. Related transaction costs are expensed in profit or loss. These financial assets are subsequently remeasured and stated at fair value, and any changes in the fair value of these financial assets are recognized in profit or loss.

(7) Available-for-sale financial assets

A. Available-for-sale financial assets are non-derivatives that are either designated in this category or not classified in any of the other categories.

B. On a regular way purchase or sale basis, available-for-sale financial assets are recognized and derecognized using trade date accounting.

C. Available-for-sale financial assets are initially recognized at fair value plus transaction costs. These financial assets are subsequently remeasured and stated at fair value, and any changes in the fair value of these financial assets are recognized in other comprehensive.

(8) Receivables

Accounts receivable are receivables originated by the entity. They are created by the entity by selling goods or providing services to customers in the ordinary course of business. Accounts receivable are initially recognized at fair value and subsequently measured at amortized cost using the effective interest method, less provision for impairment.

However, short-term accounts receivable without bearing interest are subsequently measured at initial invoice amount as the effect of discounting is immaterial.

(9) Impairment of financial assets

A. The Company assesses at each balance sheet date whether there is objective evidence that a financial asset or a group of financial assets is impaired as a result of one or more events that occurred after the initial recognition of the asset (a 'loss event') and that loss event (or events) has an impact on the estimated future cash flows of the financial asset or group of financial assets that can be reliably estimated.

B. The criteria that the Company uses to determine whether there is objective evidence of an impairment loss is as follows:

(a) Significant financial difficulty of the issuer or debtor;

(b) A breach of contract, such as a default or delinquency in interest or principal payments;

(c) The Company, for economic or legal reasons relating to the borrower's financial difficulty, granted the borrower a concession that a lender would not otherwise consider;

(d) It becomes probable that the borrower will enter bankruptcy or other financial reorganisation;

(e) The disappearance of an active market for that financial asset because of financial difficulties;

(f) Observable data indicating that there is a measurable decrease in the estimated future cash flows from a group of financial assets since the initial recognition of those assets, although the decrease cannot yet be identified with the individual financial asset in the group, including adverse changes in the payment status of borrowers in the group or national or local economic conditions that correlate with defaults on the assets in the group;

(g) Information about significant changes with an adverse effect that have taken place in the technology, market, economic or legal environment in which the issuer operates, and indicates that the cost of the investment in the equity instrument may not be recovered;

(h) A significant or prolonged decline in the fair value of an investment in an equity instrument below its cost.

C. When the Company assesses that there has been objective evidence of impairment and an impairment loss has occurred, accounting for impairment is made as follows according to the category of financial assets:

(a) Financial assets measured at amortized cost

The amount of the impairment loss is measured as the difference between the asset's carrying amount and the present value of estimated future cash flows discounted at the financial asset's original effective interest rate, and is recognized in profit or loss. If, in a subsequent period, the amount of the impairment loss decreases and the decrease can be related objectively to an event occurring after the impairment loss was recognized, the previously recognized impairment loss is reversed through profit or loss to the extent that the carrying amount of the asset does not exceed its amortized cost that would have been at the date of reversal had the impairment loss not been recognized previously. Impairment loss is recognized and reversed by adjusting the carrying amount of the asset through the use of an impairment allowance account.

(b) Available-for-sale financial assets

The amount of the impairment loss is measured as the difference between the asset's acquisition cost (less any principal repayment and amortization) and current fair value, less any impairment loss on that financial asset previously recognized in profit or loss, and is reclassified from 'other comprehensive income' to 'profit or loss'. If, in a subsequent period, the fair value of an investment in a debt instrument increases, and the increase can be related objectively to an event occurring after the impairment loss was recognized, then such impairment loss is reversed through profit or loss. Impairment loss of an investment in an equity instrument recognized in profit or loss shall not be reversed through profit or loss. Impairment loss is recognized and reversed by adjusting the carrying amount of the asset through the use of an impairment allowance account.

(10) Derecognition of financial assets

The Company derecognizes a financial asset when the contractual rights to receive the cash flows from the financial asset expire.

(11) Lease receivables/ leases (lessor)

Lease income from an operating lease (net of any incentives given to the lessee) is recognized in profit or loss on a straight-line basis over the lease term.

(12) Inventories

Inventories are stated at the lower of cost and net realizable value. Cost is determined using the weighted-average method. The cost of finished goods and work in progress comprises raw materials, direct labor, other direct costs and related production overheads (allocated based on normal operating capacity). It excludes borrowing costs. The item by item approach is used in applying the lower of cost and net realizable value. Net realizable value is the estimated selling price in the ordinary course of business, less the estimated cost of completion and applicable variable selling expenses.

(13) Investments accounted for using equity method / associates

A. Subsidiaries are all entities (including structured entities) controlled by the Company. The Company controls an entity when the Company is exposed, or has rights, to variable returns from its involvement with the entity and has the ability to affect those returns through its power over the entity.

B. Unrealized gains or losses on transactions between the Company and subsidiaries have been eliminated. Accounting policies of the subsidiaries have been adjusted where necessary to ensure consistency with the policies adopted by the Company.

C. The Company's share of subsidiaries' post-acquisition profit or loss is recognized in the statement of comprehensive income, and its share of subsidiaries' post-acquisition movements in other comprehensive income is recognized in other comprehensive income. When the Company's share of losses in a subsidiary equals to or exceeds its interest in the subsidiary, the Company shall recognize the loss proportional to its shares.

D. Changes in a parent's ownership interest in a subsidiary that do not result in the parent losing control of the subsidiary (transactions with non-controlling interests) are accounted for as equity transactions, i.e. transactions with owners in their capacity as owners. Any difference between the amount by which the non-controlling interests are adjusted and the fair value of the consideration paid or received is recognized directly in equity.

E. When the Company loses control of a subsidiary, the Company remeasures any investment retained in the former subsidiary at its fair value. That fair value is regarded as the fair value on initial recognition of a financial asset or the cost on initial recognition of the associate or joint venture. Any difference between fair value and carrying amount is recognized in profit or loss. All amounts previously recognized in other comprehensive income in relation to the subsidiary are reclassified to profit or loss on the same basis as would be required if the related assets or liabilities were disposed of. That is, when the Company loses control of a subsidiary, all gains or losses previously recognized in other comprehensive income in relation to the subsidiary should be reclassified from equity to profit or loss, if such gains or losses would be reclassified to profit or loss when the related assets or liabilities are disposed of.

F. Associates are all entities over which the Company has significant influence but not control. In general, it is presumed that the investor has significant influence, if an investor holds, directly or indirectly 20 percent or more of the voting power of the investee. Investments in associates are accounted for using the equity method and are initially recognized at cost.

G. The Company's share of its associates' post-acquisition profits or losses is recognized in profit or loss, and its share of post-acquisition movements in other comprehensive income is recognized in other comprehensive income. When the Company's share of losses in an associate equals or exceeds its interest in the associate, including any other unsecured receivables, the Company does not recognize further losses, unless it has incurred legal or constructive obligations or made payments on behalf of the associate.

H. When changes in an associate's equity that are not recognized in profit or loss or other comprehensive income of the associate and such changes not affecting the Company's ownership percentage of the associate, the Company recognizes the Company's share of change in equity of the associate in 'capital surplus' in proportion to its ownership.

I. Unrealized gains on transactions between the Company and its associates are eliminated to the extent of the Company's interest in the associates. Unrealized losses are also eliminated unless the transaction provides evidence of an impairment of the asset transferred. Accounting policies of associates have been adjusted where necessary to ensure consistency with the policies adopted by the Company.

J. When the Company disposes its investment in an associate, if it loses significant influence over this associate, the amounts previously recognized in other comprehensive income in relation to the associate, are reclassified to profit or loss, on the same basis as would be required if the relevant assets or liabilities were disposed of. If it still retains significant influence over this associate, then the amounts previously recognized in other comprehensive income in relation to the associate are reclassified to profit or loss proportionately in accordance with the aforementioned approach.

K. According to the Rules Governing the Preparation of Financial Reports by Securities Issuers, net income and other comprehensive income in the parent company only financial statements shall use the same allotments as the ones that are attributable to owners of the parent in the consolidated financial statements. Equity in parent company only financial statements should equal to equity attributable to owners of the parent in the consolidated financial statements.

(14) Property, plant and equipment

A. Property, plant and equipment are initially recorded at cost. Borrowing costs incurred during the construction period are capitalized.

B. Subsequent costs are included in the asset's carrying amount or recognized as a separate asset, as appropriate, only when it is probable that future economic benefits associated with the item will flow to the Company and the cost of the item can be measured reliably. The carrying amount of the replaced part is derecognized. All other repairs and maintenance are charged to profit or loss during the financial period in which they are incurred.

C. Land is not depreciated. Other property, plant and equipment apply cost model and are depreciated using the straight-line method to allocate their cost over their estimated useful lives. Each part of an item of property, plant, and equipment with a cost that is significant in relation to the total cost of the item must be depreciated separately.

D. The assets' residual values, useful lives and depreciation methods are reviewed, and adjusted if appropriate, at each financial year-end. If expectations for the assets' residual values and useful lives differ from previous estimates or the patterns of consumption of the assets' future economic benefits embodied in the assets have changed significantly, any change is accounted for as a change in estimate under IAS 8, 'Accounting Policies, Changes in Accounting Estimates and Errors', from the date of the change. The estimated useful lives of property, plant and equipment are as follows:

(a) Buildings: 5 ~ 60 years
(b) Machinery and equipment: 15 years
(c) Test equipment: 5 years
(d) Transportation equipment: 6 years
(e) Office equipment: 5 years
(f) Other assets: 5 years

(15) Investment property

An investment property is stated initially at its cost and measured subsequently using the cost model. Except for land, investment property is depreciated on a straight-line basis over its estimated useful life of 5 ~ 55 years.

(16) Impairment of non-financial assets

The Company assesses at each balance sheet date the recoverable amounts of those assets where there is an indication that they are impaired. An impairment loss is recognized for the amount by which the asset's carrying amount exceeds its recoverable amount. The recoverable amount is the higher of an asset's fair value less costs to sell or value in use. When the circumstances or reasons for recognizing impairment loss for an asset in prior years no longer exist or diminish, the impairment loss is reversed. The increased carrying amount due to reversal should not be more than what the depreciated or amortized historical cost would have been if the impairment had not been recognized.

(17) Borrowings

A. Borrowings are recognized initially at fair value, net of transaction costs incurred. Borrowings are subsequently stated at amortized cost; any difference between the proceeds (net of transaction costs) and the redemption value is recognized in profit or loss over the period of the borrowings using the effective interest method.

B. Fees paid on the establishment of loan facilities are recognized as transaction costs of the loan to the extent that it is probable that some or all of the facility will be drawn down. In this case, the fee is deferred until the draw-down occurs. To the extent there is no evidence that it is probable that some or all of the facility will be drawn down, the fee is capitalized as a pre-payment for liquidity services and amortized over the period of the facility to which it relates.

(18) Notes and accounts payable

Notes and accounts payable are obligations to pay for goods or services that have been acquired in the ordinary course of business from suppliers. They are recognized initially at fair value and subsequently measured at amortized cost using the effective interest method. However, short-term accounts payable without bearing interest are subsequently measured at initial invoice amount as the effect of discounting is immaterial.

(19) Financial liabilities at fair value through profit or loss

A. Financial liabilities at fair value through profit or loss are financial liabilities held for trading or financial liabilities designated as at fair value through profit or loss on initial recognition. Financial liabilities are classified in this category of held for trading if acquired principally for the purpose of repurchasing in the short-term.

B. Financial liabilities at fair value through profit or loss are initially recognized at fair value. Related transaction costs are expensed in profit or loss. These financial liabilities are subsequently remeasured and stated at fair value, and any changes in the fair value of these financial liabilities are recognized in profit or loss.

(20) Derecognition of financial liabilities

A financial liability is derecognized when the obligation under the liability specified in the contract is discharged or cancelled or expires.

(21) Offsetting financial instruments

Financial assets and liabilities are offset and reported in the net amount in the balance sheet when there is a legally enforceable right to offset the recognized amounts and there is an intention to settle on a net basis or realize the asset and settle the liability simultaneously.

(22) Financial liabilities and equity instruments

Ordinary corporate bonds issued by the Company are initially recognized at fair value, net of transaction costs incurred. Ordinary corporate bonds are subsequently stated at amortized cost; any difference between the proceeds (net of transaction costs) and the redemption value is accounted for as the premium or discount on bonds payable and presented as an addition to or deduction from bonds payable, which is amortized in profit or loss as an adjustment to the 'finance costs' over the period of bond circulation using the effective interest method.

(23) Financial guarantee contracts

A financial guarantee contract is a contract that requires the Company to make specified payments to reimburse the holder for a loss it incurs because a specified debtor fails to make payment when due in accordance with the original or modified terms of a debt instrument. A financial guarantee contract is initially recognized at its fair value adjusted for transaction costs on the trade date. After initial recognition, the financial guarantee is measured at the higher of the initial fair value less cumulative amortization and the best estimate of the amount required to settle the present obligation on each balance sheet date.

(24) Derivative financial instruments

Derivatives are initially recognized at fair value on the date a derivative contract is entered into and are subsequently remeasured at their fair value. Any changes in the fair value are recognized in profit or loss.

(25) Employee benefits

A. Short-term employee benefits

Short-term employee benefits are measured at the undiscounted amount of the benefits expected to be paid in respect of service rendered by employees in a period and should be recognized as expenses in that period when the employees render service.

B. Pensions

(a) Defined contribution plans

For defined contribution plans, the contributions are recognized as pension expenses when they are due on an accrual basis. Prepaid contributions are recognized as an asset to the extent of a cash refund or a reduction in the future payments.

(b) Defined benefit plans

i. Net obligation under a defined benefit plan is defined as the present value of an amount of pension benefits that employees will receive on retirement for their services with the Company in current period or prior periods. The liability recognized in the balance sheet in respect of defined benefit pension plans is the present value of the defined benefit obligation at the balance sheet date less the fair value of plan assets. The defined benefit net obligation is calculated annually by independent actuaries using the projected unit credit method. The rate used to discount is determined by using interest rates of high-quality corporate bonds that are denominated in the currency in which the benefits will be paid, and that have terms to maturity approximating to the terms of the related pension liability; when there is no deep market in high-quality corporate bonds, the Company uses interest rates of government bonds (at the balance sheet date) instead.

ii. Remeasurement arising on defined benefit plans are recognized in other comprehensive income in the period in which they arise and are recorded as retained earnings.

C. Employees', directors' and supervisors' remuneration

Employees' remuneration and directors' and supervisors' remuneration are recognized as expenses and liabilities, provided that such recognition is required under legal obligation or constructive obligation and those amounts can be reliably estimated. Any difference between the resolved amounts and the subsequently actual distributed amounts is accounted for as changes in estimates.

(26) Income tax

A. The tax expense for the period comprises current and deferred tax. Tax is recognized in profit or loss, except to the extent that it relates to items recognized in other comprehensive income or items recognized directly in equity, in which cases the tax is recognized in other comprehensive income or equity.

B. The current income tax expense is calculated on the basis of the tax laws enacted or substantively enacted at the balance sheet date in the countries where the Company and its subsidiaries operate and generate taxable income. Management periodically evaluates positions taken in tax returns with respect to situations in accordance with applicable tax regulations. It establishes provisions where appropriate based on the amounts expected to be paid to the tax authorities. An additional 10% tax is levied on the unappropriated retained earnings and is recorded as income tax expense in the year the stockholders resolve to retain the earnings.

C. Deferred tax is recognized, using the balance sheet liability method, on temporary differences arising between the tax bases of assets and liabilities and their carrying amounts in the consolidated balance sheet. However, the deferred tax is not accounted for if it arises from initial recognition of goodwill or of an asset or liability in a transaction other than a business combination that at the time of the transaction affects neither accounting nor taxable profit or loss. Deferred tax is provided on temporary differences arising on investments in subsidiaries and associates, except where the timing of the reversal of the temporary difference is controlled by the Company and it is probable that the temporary difference will not reverse in the foreseeable future. Deferred tax is determined using tax rates (and laws) that have been enacted or substantially enacted by the balance sheet date and are expected to apply when the related deferred tax asset is realized or the deferred tax liability is settled.

D. Deferred tax assets are recognized only to the extent that it is probable that future taxable profit will be available against which the temporary differences can be utilized. At each balance sheet date, unrecognized and recognized deferred tax assets are reassessed.

E. Current income tax assets and liabilities are offset and the net amount reported in the balance sheet when there is a legally enforceable right to offset the recognized amounts and there is an intention to settle on a net basis or realize the asset and settle the liability simultaneously. Deferred tax assets and liabilities are offset on the balance sheet when the entity has the legally enforceable right to offset current tax assets against current tax liabilities and they are levied by the same taxation authority on either the same entity or different entities that intend to settle on a net basis or realize the asset and settle the liability simultaneously.

F. A deferred tax asset shall be recognized for the carryforward of unused tax credits resulting from acquisitions of equipment or technology, research and development expenditures and equity investments to the extent that it is possible that future taxable profit will be available against which the unused tax credits can be utilized.

(27) Dividends

Dividends are recorded in the Company's financial statements in the period in which they are approved by the Company's shareholders. Cash dividends are recorded as liabilities.

(28) Revenue recognition

Sales of goods

A. The Company manufactures and sells "Tire" products. Revenue is measured at the fair value of the consideration received or receivable taking into account of business tax, returns, rebates and discounts for the sale of goods to external customers in the ordinary course of the Company's activities. Revenue arising from the sales of goods should be recognized when the Company has delivered the goods to the customer, the amount of sales revenue can be measured reliably and it is probable that the future economic benefits associated with the transaction will flow to the entity. The delivery of goods is completed when the significant risks and rewards of ownership have been transferred to the customer, the Company retains neither continuing managerial involvement to the degree usually associated with ownership nor effective control over the goods sold, and the customer has accepted the goods based on the sales contract or there is objective evidence showing that all acceptance provisions have been satisfied.

B. The Company offers customers volume discounts and right of return for defective products. The Company estimates such discounts and returns based on historical experience. Provisions for such liabilities are recorded when the sales are recognized. The volume discounts are estimated based on the anticipated annual sales quantities.

5. CRITICAL ACCOUNTING JUDGEMENTS, ESTIMATES AND KEY SOURCES OF ASSUMPTION UNCERTAINTY

The preparation of the parent company only financial statements requires management to make critical judgements in applying the Company's accounting policies and make critical assumptions and estimates concerning future events. Assumptions and estimates may differ from the actual results and are continually evaluated and adjusted based on historical experience and other factors. There is no critical accounting judgement, estimates and assumptions uncertainty for the year ended December 31, 2016.

6. DETAILS OF SIGNIFICANT ACCOUNTS

(1) Cash and cash equivalents

	December 31, 2016	December 31, 2015
Cash on hand and petty cash	$ 550	$ 550
Checking accounts	3,916	3,488
Demand deposits	2,506,718	3,994,500
Foreign currency deposit	2,770,724	3,440,737
Time deposits	6,472,479	1,094,461
Commercial Paper	-	399,312
Total	$ 11,754,387	$ 8,933,048
Interest rate range		
Time deposits	0.95%~5.38%	0.56%~6.48%
Commercial Paper	-	0.42%

A. The Company transacts with a variety of financial institutions all with high credit quality to disperse credit risk, so it expects that the probability of counterparty default is remote.

B. The Company has reclassified pledged time deposits to 'Other current assets' and 'Other non-current assets'. Please refer to Note 8 for details.

(2) Available-for-sale financial assets

Items	December 31, 2016	December 31, 2015
Current items:		
Listed stocks	$ 8,665	$ 10,598
Funds	18,930	18,930
	27,595	29,528
Available-for-sale financial assets Valuation adjustment	38,552	70,527
	$ 66,147	$ 100,055
Non-current items:		
Non-listed stocks	$ 58,187	$ 58,187

The Company recognized gain (loss) of ($18,254) thousand and $41,124 thousand in other comprehensive income for fair value change and reclassified loss of $13,720 thousand and $0 thousand from equity to profit or loss for the years ended December 31, 2016 and 2015, respectively.

(3) Notes receivable, net

	December 31, 2016	December 31, 2015
Notes receivable	$ 31,591	$ 34,486
Less: allowance for bad debts	(9,277)	(9,277)
	$ 22,314	$ 25,209

A. The credit quality of notes receivable that were neither past due nor impaired was in the following categories based on the Company's Credit Quality Control Policy:

	December 31, 2016	December 31, 2015
Vehicle assembly factory	$ 18,577	$ 20,043
Others	13,014	14,443
	$ 31,591	$ 34,486

B. Movement analysis of financial assets that were impaired is as follows:

(a) As of December 31, 2016 and 2015, the Company had no notes receivable that were impaired.

(b) Movements on the Company's provision for impairments of accounts receivable were as follows:

	2016		
	Individual provision	Group provision	Total
At January 1 and December 31	$ -	$ 9,277	$ 9,277

	2015		
	Individual provision	Group provision	Total
At January 1 and December 31	$ -	$ 9,277	$ 11,718

(4) Accounts receivable

	December 31, 2016	December 31, 2015
Accounts receivable	$ 1,380,937	$ 1,417,971
Less: allowance for bad debts	(11,718)	(11,718)
	$ 1,369,219	$ 1,406,253

A. The credit quality of accounts receivable that were neither past due nor impaired was in the following categories based on the Company's Credit Quality Control Policy:

	December 31, 2016	December 31, 2015
Dealer	$ 474,896	$ 528,655
Vehicle assembly factory	566,617	592,564
Others	103,219	100,221
	$ 1,144,732	$ 1,221,440

B. The ageing analysis of accounts receivable that were past due but not impaired is as follows:

	December 31, 2016	December 31, 2015
Up to 30 days	$ 176,844	$ 142,439
31 to 90 days	51,019	52,336
91 to 180 days	6,968	1,756
More than 180 days	1,374	-
	$ 236,205	$ 196,531

The above ageing analysis was based on past due date.

C. Movement analysis of financial assets that were impaired is as follows:

(a) As of December 31, 2016 and 2015, the Company had no accounts receivable that were impaired.

(b) Movements on the Company provision for impairment of accounts receivable are as follows:

	2016		
	Individual provision	Group provision	Total
At January 1 and December 31	$ -	$ 11,718	$ 11,718

	2015		
	Individual provision	Group provision	Total
At January 1 and December 31	$ -	$ 11,718	$ 11,718

D. The Company holds real estate and certificate of deposit collateral as security for accounts receivable.

(5) Inventories

	December 31, 2016		
	Cost	Allowance for valuation loss	Book value
Raw materials	$ 989,935	$ -	$ 989,935
Work in process	133,306	-	133,306
Finished goods	607,755	(13,904)	593,851
Total	$ 1,730,996	($ 13,904)	$ 1,717,092

	December 31, 2015		
	Cost	Allowance for valuation loss	Book value
Raw materials	$ 1,193,571	$ -	$ 1,193,571
Work in process	116,765	-	116,765
Finished goods	781,454	(13,904)	767,550
Total	$ 2,091,790	($ 13,904)	$ 2,077,886

The cost of inventories recognized as expense for the period:

	2016	2015
Cost of goods sold	$ 13,890,724	$ 14,089,472
Loss on inventory retirement	-	1,526
Loss on physical inventory	17,901	225
Revenue from sale of scraps	(19,314)	(27,316)
	$ 13,889,311	$ 14,063,907

(6) Investments accounted for using equity method

	December 31, 2016	December 31, 2015
Subsidiaries:		
MAXXIS International Co., Ltd.	$ 43,421,844	$ 46,379,098
CST Trading Ltd.	26,373,039	26,467,271
MAXXIS Trading Ltd.	10,878,314	10,219,988
CHENG SHIN RUBBER USA, INC.	2,580,312	2,454,163
PT MAXXIS International Indonesia	2,347,361	2,415,339
MAXXIS Rubber India Private Limited	1,695,356	1,840,061
CHENG SHIN RUBBER CANADA, INC.	624,408	436,385
MAXXIS (Taiwan) Trading CO., LTD.	298,139	-
CIAO SHIN CO., LTD.	176,165	166,398
MAXXIS Tech Center Europe B.V.	53,470	53,961
Associates:		
NEW PACIFIC INDUSTRY COMPANY	164,767	168,508
Cheng Shin Holland B.V.	12,546	13,161
	$ 88,625,721	$ 90,614,333

A. Subsidiary

(a) Details of the Company’s subsidiaries are provided in Note 4(3) of the Company’s consolidated financial statements as of and for the year ended December 31, 2016.

B. Associates

(a) The basic information of the associates that are material to the Company is as follows:

	Assets	Liabilities	Revenue	Profit or loss	Shareholding ratio
2016/12/31	$ 668,098	$ 308,980	$ 1,043,043	$ 57,372	30%~49.99%
2015/12/31	$ 751,192	$ 350,702	$ 1,230,842	$ 77,937	30%~49.99%

(7) Property, plant and equipment

	Year ended December 31, 2016				
	Beginning of Period	Addition	Disposals	Transfers	End of Period
Cost					
Land	$ 3,925,073	$ 395	$ -	$ -	$ 3,925,468
Buildings	5,899,713	49,078	($ 39,985)	128,826	6,037,632
Machinery	11,268,990	114,526	(758,360)	577,101	11,202,257
Testing equipment	704,080	3,023	(125,863)	38,386	619,626
Transportation	146,357	16,327	(29,250)	956	134,390
Office equipment	66,670	29,944	(17,162)	-	79,452
Other facilities	2,586,992	379,682	(507,606)	14,086	2,473,154
Unfinished construction and equipment under acceptance	1,016,734	909,595	(564,000)	(765,591)	596,738
	$ 25,614,609	$ 1,502,570	($ 2,042,226)	($ 6,236)	$ 25,068,717
Accumulated depreciation					
Buildings	($ 1,665,915)	($ 178,280)	$ 39,986	$ -	($ 1,804,209)
Machinery	(5,057,667)	(847,207)	757,200	-	(5,147,674)
Testing equipment	(494,219)	(83,413)	124,349	-	(453,283)
Transportation	(81,827)	(17,738)	13,532	-	(86,033)
Office equipment	(43,083)	(14,186)	17,162	-	(40,107)
Other facilities	(1,510,453)	(483,630)	503,151	6,236	(1,484,696)
	($ 8,853,164)	($ 1,624,454)	$ 1,455,380	$ 6,236	($ 9,016,002)
	$ 16,761,445				$ 16,052,715

	Year ended December 31, 2015				
	Beginning of Period	Addition	Disposals	Transfers	End of Period
Cost					
Land	$ 3,925,073	$ -	$ -	$ -	$ 3,925,073
Buildings	5,854,280	46,675	($ 8,664)	7,422	5,899,713
Machinery	11,382,134	97,027	(776,368)	566,197	11,268,990
Testing equipment	688,607	11,059	(22,485)	26,899	704,080
Transportation	125,127	33,724	(12,494)	-	146,357
Office equipment	65,972	3,815	(3,117)	-	66,670
Other facilities	2,319,347	382,790	(210,719)	95,574	2,586,992
Unfinished construction and equipment under acceptance	1,260,201	1,119,889	(667,264)	(696,092)	1,016,734
	$ 25,620,741	$ 1,694,979	($ 1,701,111)	$ -	$ 25,614,609
Accumulated depreciation					
Buildings	($ 1,501,116)	($ 173,462)	$ 8,663	$ -	($ 1,665,915)
Machinery	(5,030,341)	(800,346)	773,020	-	(5,057,667)
Testing equipment	(425,125)	(91,558)	22,464	-	(494,219)
Transportation	(75,268)	(18,954)	12,395	-	(81,827)
Office equipment	(33,050)	(13,150)	3,117	-	(43,083)
Other facilities	(1,258,950)	(451,918)	200,415	-	(1,510,453)
	($ 8,323,850)	($ 1,549,388)	$ 1,020,074	$ -	($ 8,853,164)
	$ 17,296,891				$ 16,761,445

Amount of borrowing costs capitalized as part of property, plant and equipment and the range of the interest rates for such capitalization are as follows:

	2016	2015
Amount capitalised	$ 9,141	$ 12,793
Range of the interest rates for capitalization	1.20%~1.42%	1.43%~1.50%

(8) Investment property, net

	2016			
	At January 1, 2016	Additions	Transfer	At December 31, 2016
Cost				
Land	$ 359,315	$ -	($ 22,976)	$ 336,339
Buildings	50,825	-	(23,059)	27,766
	$ 410,140	$ -	($ 46,035)	$ 364,105
Accumulated depreciation				
Buildings	($ 30,850)	($ 727)	$ 10,295	($ 21,282)
Accumulated impairment				
Land	($ 51,038)	$ -	$ -	($ 51,038)
	$ 328,252			$ 291,785

	2015		
	At January 1, 2015	Additions	At December 31, 2015
Cost			
Land	$ 359,315	$ -	$ 359,315
Buildings	50,825	-	50,825
	$ 410,140	$ -	$ 410,140
Accumulated depreciation			
Buildings	($ 29,881)	($ 969)	($ 30,850)
Accumulated impairment			
Land	($ 51,038)	$ -	($ 51,038)
	$ 329,221		$ 328,252

A. Rental income from investment property is shown below:

	2016	2015
Rental income from investment property	$ 8,725	$ 8,725

B. The fair value of the investment property held by the Company as at December 31, 2016 and 2015 were $529,829 thousand and $624,514 thousand, respectively, which was valued by independent appraisers. Valuations were made using the comparison method which is categorised within Level 3 in the fair value hierarchy.

C. The Company acquired the land in Shangmei Section, Dacun Township, Changhua County which is farming and pasturable land. The land will be registered under the Company after the category of the land is changed. Currently, the land is under the name of related party, Mr./Ms. Chiu. The land is planned to be used for operational expansion. The Company holds the original ownership certificate of such land and signed a land trust agreement, which requires the nominal holder not to transfer the ownership of the land to others.

(9) Short-term borrowings

Type of borrowings	December 31, 2016	Interest rate range	Collateral
Bank borrowings			
Bank unsecured borrowings	$ 450,000	0.84%	None

As of December 31, 2016, the Company did not hold any short-term borrowings.

(10) Financial assets and liabilities at fair value through profit or loss

Items	December 31, 2016	December 31, 2015
Current items:		
Financial liabilities held for trading		
Forward foreign exchange contracts	$ -	$ 1
Interest rate swaps	-	7,414
Total	$ -	$ 7,415

A.The Company recognized gain (loss) of $ 3,313 thousand and ($6,433) thousand on financial assets and liabilities held for trading for the years ended December 31, 2016 and 2015, respectively.

B.The non-hedging derivative instruments transaction and contract information are as follows:

	December 31, 2016		December 31, 2015	
Type of goods	Contract amount (Notional principal)	Contract period	Contract amount (Notional principal)	Contract period
Current items:				
exchange contracts (USD exchange to NTD)	-		USD 831 thousanc	2015.12.29 ~2016.02.04
Interest rate swaps	-		USD 40,000 thousanc	2011.06.03 ~2016.06.10

(a) Forward foreign exchange contracts

The Company entered into forward foreign exchange contracts to buy or sell USD to hedge exchange rate risk of import (or export) proceeds. However, these forward foreign exchange contracts are not accounted for under hedge accounting.

(b) Interest rate swaps

The Company entered into interest rate swap contracts with financial institutions to hedge cash flow risk liability positions. However, these interest rate swap contracts are not accounted for under hedge accounting.

(11) Other payables

Items	December 31, 2016	December 31, 2015
Employee benefits payable	$ 646,359	$ 610,194
Wages and salaries payable	423,738	386,222
Payable on machinery and equipment	290,468	327,348
Compensation due to directors and supervisors	257,124	357,324
Other accrued expenses	695,328	617,030
Others	248,309	203,063
	$ 2,561,326	$ 2,501,181

(12) Other current liabilities

	December 31, 2016	December 31, 2015
Long-term liabilities due within one year	$ 4,380,000	$ 520,000
Advance receipts	67,598	69,945
	$ 4,447,598	$ 589,945

(13) Bonds payable

	December 31, 2016	December 31, 2015
Bond payable-issued on 2013	3,800,000	3,800,000
Bond payable-issued on 2014	4,800,000	4,800,000
Bond payable-issued on 2016	5,000,000	-
Subtotal	13,600,000	8,600,000
Less: current portion	(1,900,000)	-
Total	$ 11,700,000	$ 8,600,000

A. In order to fulfill its issue and repay long-term and short-term loans, the Board of Directors of the Company has resolved to issue domestic secured bonds ("the bonds"). The bond issue has been approved by FSC on September 13, 2016 and completed on September 26, 2016. The bonds were fully issued and total issuance amount was $5 billion with a coupon rate of 0.71%. The issuance period of the bonds is 5 years, which is from September 26, 2016 to September 26, 2021. The terms are as follows:

(a) Interest accrued/ paid:

The interest is accrued/ paid at a single rate annually from the issue date.

(b) Redemption:

The principal of the corporate bond will be redeemed at 50% of the total amount after four and five years from the issue date.

B. In order to meet operating capital requirements, repay debts and improve the financial structure, the Board of Directors of the Company has resolved to issue domestic unsecured bonds ("the bonds"). The bond issue has been approved by FSC on June 6, 2014 and completed on July 18, 2014. The bonds were fully issued and total issuance amount was $4.8 billion with a coupon rate of 1.40%. The issuance period of the bonds is 5 years, which is from July 18, 2014 to July 18, 2019. The terms are as follows :

(a) Interest accrued/ paid:

The interest is accrued/ paid at a single rate annually from the issue date.

(b) Redemption:

The corporate bond will be redeemed in full amount at the maturity date.

C. In order to fulfil its capital and repay long-term and short-term loans, the Board of Directors of the Company has resolved to issue domestic unsecured bonds ("the bonds"). The bond issue has been approved by FSC on May 20, 2013 and completed on August 19, 2013. The bonds were fully issued and total issuance amount was $3.8 billion with a coupon rate of 1.55%. The issuance period of the bonds is 5 years, which is from August 19, 2013 to August 19, 2018. The terms are as follows:

(a) Interest accrued/ paid:

The interest is accrued/ paid at a single rate annually from the issue date.

(b) Redemption:

The principal of the corporate bond will be redeemed at 50% of the total amount after four and five years from the issue date.

(14) Long-term borrowings

Type of borrowings	Borrowing period and repayment term	Interest rate range	Collateral	December 31, 2016
Installment-repayment borrowings				
Unsecured borrowings	Principal is repayable in installments until November, 2021	0.83%～1.38%	None	$ 14,028,998
Less: current portion				(2,480,000)
				$ 11,548,998

Type of borrowings	Borrowing period and repayment term	Interest rate range	Collateral	December 31, 2015
Installment-repayment borrowings				
Unsecured borrowings	Principal is repayable in installments until November, 2021	0.97%～1.55%	None	$ 16,387,000
Less: current portion				(520,000)
				$ 15,867,000

According to the borrowing contract, the Company shall calculate the financial ratios based on the audited annual financial statements (non-consolidated and consolidated) and the reviewed semi-annual consolidated financial statements. The financial ratios shall be maintained as follows: at least 100% for current ratio, no more than 200% for debt-to-equity ratio, at least 150% for debt-service coverage ratio. The financial ratios as assessed in the financial statements have met the abovementioned requirements for the years ended December 31, 2016 and 2015.

(15) Pensions

A. (a)The Company and its domestic subsidiaries have a defined benefit pension plan in accordance with the Labor Standards Law, covering all regular employees' service years prior to the enforcement of the Labor Pension Act on July 1, 2005 and service years thereafter of employees who chose to continue to be subject to the pension mechanism under the Law. Under the defined benefit pension plan, two units are accrued for each year of service for the first 15 years and one unit for each additional year thereafter, subject to a maximum of 45 units. Pension benefits are based on the number of units accrued and the average monthly salaries and wages of the last 6 months prior to retirement. The Company contributes monthly an amount equal to 2% of the employees' monthly salaries and wages to the retirement fund deposited with Bank of Taiwan, the trustee, under the name of the independent retirement fund committee. Also, the Company would assess the balance in the aforementioned labor pension reserve account by the end of December 31, every year. If the account balance is insufficient to pay the pension calculated by the aforementioned method, to the employees expected to be qualified for retirement next year, the Company will make contributions to cover the deficit by next March.

(b) The amounts recognized in the balance sheet are as follows:

	December 31, 2016	December 31, 2015
Present value of defined benefit obligations	$ 1,535,785	$ 1,551,557
Fair value of plan assets	(752,649)	(684,402)
Net defined benefit liability	$ 783,136	$ 867,155

(c) Movements in net defined benefit liabilities are as follows:

	Present value of defined benefit obligations	Fair value of plan assets	Net defined benefit liability
Year ended December 31, 2016			
Balance at January 1	$ 1,551,557	($ 684,402)	$ 867,155
Current service cost	27,965	-	27,965
Interest expense (income)	26,376	(11,634)	14,742
	1,605,898	(696,036)	909,862
Remeasurements:			
Change in financial assumptions	50,225	-	50,225
Experience adjustments	25,117	-	25,117
Return on plan assets (excluding amounts included in interest income or expense)	-	4,980	4,980
	75,342	4,980	80,322
Pension fund contribution	-	(148,959)	(148,959)
Paid pension	(145,455)	87,366	(58,089)
Balance at December 31	$ 1,535,785	($ 752,649)	$ 783,136

	Present value of defined benefit obligations	Fair value of plan assets	Net defined benefit liability
Year ended December 31, 2015			
Balance at January 1	$ 1,553,019	($ 713,459)	$ 839,560
Current service cost	30,533	-	30,533
Interest expense (income)	31,060	(14,269)	16,791
	1,614,612	(727,728)	886,884
Remeasurements:			
Change in financial assumptions	51,251	-	51,251
Experience adjustments	(13,637)	-	(13,637)
Return on plan assets (excluding amounts included in interest income or expense)	-	(5,583)	(5,583)
	37,614	(5,583)	32,031
Pension fund contribution	-	45,568	(45,568)
Paid pension	(100,669)	94,477	(6,192)
Balance at December 31	$ 1,551,557	($ 593,266)	$ 867,155

(d)The Bank of Taiwan was commissioned to manage the Fund of the Company's and domestic subsidiaries' defined benefit pension plan in accordance with the Fund's annual investment and utilization plan and the "Regulations for Revenues, Expenditures, Safeguard and Utilization of the Labor Retirement Fund" (Article 6: The scope of utilization for the Fund includes deposit in domestic or foreign financial institutions, investment in domestic or foreign listed, over-the-counter, or private placement equity securities, investment in domestic or foreign real estate securitization products, etc.). With regard to the utilization of the Fund, its minimum earnings in the annual distributions on the final financial statements shall be no less than the earnings attainable from the amounts accrued from two-year time deposits with the interest rates offered by local banks. If the earnings is less than aforementioned rates, government shall make payment for the deficit after being authorized by the Regulator. The Company has no right to participate in managing and operating that fund and hence the Company is unable to disclose the classification of plan asset fair value in accordance with IAS 19 paragraph 142. The composition of fair value of plan assets as of December 31, 2015 and 2014 is given in the Annual Labor Retirement Fund Utilization Report announced by the government.

For the years ended December 31, 2016 and 2015, the actual return on plan assets was $6,654 thousand and $19,852 thousand, respectively.

(e) The principal actuarial assumptions used were as follows:

	Year ended December 31, 2016	Year ended December 31, 2015
Discount rate	1.40%	1.70%
Future salary increases	3.00%	3.00%

Assumptions regarding future mortality experience are set based on actuarial advice in accordance with published statistics and experience in each territory.

Because the main actuarial assumption changed, the present value of defined benefit obligation is affected. The analysis was as follows:

	Discount rate		Future salary increases	
	Increase 0.25%	Decrease 0.25%	Increase 0.25%	Decrease 0.25%
December 31, 2016				
Effect on present value of defined benefit obligation	($ 42,022)	$ 43,760	$ 39,325	($ 38,033)
December 31, 2015				
Effect on present value of defined benefit obligation	($ 40,395)	$ 47,608	$ 42,501	($ 37,092)

The sensitivity analysis above is based on other conditions that are unchanged but only one assumption is changed. In practice, more than one assumption may change all at once. The method of analysing sensitivity and the method of calculating net pension liability in the balance sheet are the same.

(f) Expected contributions to the defined benefit pension plans of the Company for the year ending December 31, 2016 amounts to $40,844 thousand.

(g) As of December 31, 2016, the weighted average duration of that retirement plan is 12 years. The analysis of timing of the future pension payment was as follows:

Within 1 year	$	128,912
2-5 year(s)		237,293
Over 6 years		411,448
	$	777,653

B. (a) Effective July 1, 2005, the Company and its domestic subsidiaries have established a defined contribution pension plan (the "New Plan") under the Labor Pension Act (the "Act"), covering all regular employees with R.O.C. nationality. Under the New Plan, the Company and its domestic subsidiaries contribute monthly an amount based on 6% of the employees' monthly salaries and wages to the employees' individual pension accounts at the Bureau of Labor Insurance. The benefits accrued are paid monthly or in lump sum upon termination of employment.

(b) The pension costs under defined contribution pension plans of the Company for the years ended December 31, 2016 and 2015, were $115,996 thousand and $106,882 thousand, respectively.

(16) Share capital

As of December 31, 2016 the Company's authorized capital was $32,414,155 thousand, and all proceeds from shares issued have been collected.

(17) Capital surplus

Pursuant to the R.O.C. Company Act, capital surplus arising from paid-in capital in excess of par value on issuance of common stocks and donations can be used to cover accumulated deficit or to issue new stocks or cash to shareholders in proportion to their share ownership, provided that the Company has no accumulated deficit. Further, the R.O.C. Securities and Exchange Law requires that the amount of capital surplus to be capitalized mentioned above should not exceed 10% of the paid-in capital each year. Capital surplus should not be used to cover accumulated deficit unless the legal reserve is insufficient.

(18) Retained earnings

A. Under the Company's Articles of Incorporation, the current year's earnings, if any, shall first be used to pay taxes and offset prior years' operating losses and then 10% of the remaining amount shall be set aside as legal reserve. The remainder, if any, shall be distributed as employees' bonus and directors' and supervisors' remuneration. The ratio shall not be lower than 2% for employees' bonus and shall not be higher than 3% for directors' and supervisors' remuneration. The appropriation of the remaining amount along with the unappropriated earnings shall be proposed by the Board of Directors and be resolved by the shareholders. According to the appropriation of earnings proposed by the Board of Directors, at least 10% ~ 80% of the Company's accumulated distributable earnings shall be appropriated as dividends, and cash dividends shall account for at least 10% of the total dividends distributed.

B. Except for covering accumulated deficit or issuing new stocks or cash to shareholders in proportion to their share ownership, the legal reserve shall not be used for any other purpose. The use of legal reserve for the issuance of stocks or cash to shareholders in proportion to their share ownership is permitted, provided that the distribution of the reserve is limited to the portion in excess of 25% of the Company's paid-in capital.

C. (a) In accordance with the regulations, the Company shall set aside special reserve from the debit balance on other equity items at the balance sheet date before distributing earnings. When debit balance on other equity items is reversed subsequently, the reversed amount could be included in the distributable earnings.

(b) The amounts previously set aside by the Company as special reserve on initial application of IFRSs in accordance with Jin-Guan-Zheng-Fa-Zi Letter No. 1010012865, dated April 6, 2012, shall be reversed proportionately when the relevant assets are used, disposed of or reclassified subsequently.

D. The Company recognized dividends distributed to owners both amounting to $9,724,246 thousand (cash dividend of $3 per share) to shareholders for the years ended December 31, 2015 and 2014, respectively.

E. For the information relating to employees' remuneration and directors' and supervisors' remuneration, please refer to Note 6(23).

(19) Other equity items

	2016		
	Currency translation	Available-for-sale investment	Total
At January 1	$ 1,744,319	$ 74,700	$ 1,819,019
Company	-	(18,254)	(18,254)
Revaluation adjustment – Associates	-	7,726	7,726
Revaluation transfer – The Company	-	(13,720)	(13,720)
Currency translation differences :			
Subsidiaries and associates – Before income tax	(6,147,703)	-	(6,147,703)
Subsidiaries and associates – Tax	1,045,110	-	1,045,110
At December 31	($ 3,358,274)	$ 50,452	($ 3,307,822)

	2015		
	Currency translation	Available-for-sale investment	Total
At January 1	$ 3,402,402	$ 44,370	$ 3,446,772
Company	-	41,124	41,124
Revaluation adjustment – Associates	-	(10,794)	(10,794)
Currency translation differences:			
Subsidiaries and associates – Before income tax	(1,997,691)	-	(1,997,691)
Subsidiaries and associates –Tax	339,608	-	339,608
At December 31	$ 1,744,319	$ 74,700	$ 1,819,019

(20) Other income

	2016	2015
Revenue from patent royalties	$ 556,672	$ 547,736
Revenue from trademark royalties	401,572	390,565
Revenue from commission	261,362	283,663
Interest income – Endorsements/guarantees	12,293	12,720
Interest income	92,606	66,765
Income from investments	19,960	15,769
Others	147,286	79,694
Total	$ 1,491,751	$ 1,396,912

(21) Other gains and losses

	2016	2015
Net currency exchange (losses) gains	($ 295,818)	$ 369,615
Gains on disposal of property, plant and equipment	206,811	238,298
Net gains on financial assets and liabilities at fair value through profit or loss	7,415	14,992
Gains on investment	475	-
Miscellaneous (disbursements) income	(46,140)	77
Total	($ 127,257)	$ 622,982

(22) Finance costs

	2016	2015
Interest expense:		
Bank borrowings	$ 223,302	$ 224,891
Corporate bonds	137,933	144,500
Losses (gains) on fair value change of financial instruments:		
Interest rate swaps	7,001	21,425
	368,236	390,816
Less: capitalisation of qualifying assets	(9,141)	(12,793)
Finance costs	$ 359,095	$ 378,023

(23) Expenses by nature

	Year ended December 31, 2016		
	Operating costs	Operating expense	Total
Employee benefits costs			
Wages and salaries	$ 2,378,852	$ 1,334,064	$ 3,712,916
Labour and health insurance fees	203,651	95,135	298,786
Pension costs	107,494	51,209	158,703
Other personnel expenses	78,192	33,151	111,343
	$ 2,768,189	$ 1,513,559	$ 4,281,748
Raw materials and supplies used	$ 7,613,328	$ -	$ 7,613,328
Depreciation charges on property, plant and equipment	$ 1,470,068	$ 154,386	$ 1,624,454
Depreciation on investment property	$ -	$ 727	$ 727

	Year ended December 31, 2015		
	Operating costs	Operating expense	Total
Employee benefits costs			
Wages and salaries	$ 2,227,274	$ 1,268,296	$ 3,495,570
Labour and health insurance fees	199,497	85,549	285,046
Pension costs	107,053	47,154	154,207
Other personnel expenses	84,566	33,345	117,911
	$ 2,618,390	$ 1,434,344	$ 4,052,734
Raw materials and supplies used	$ 8,639,553	$ -	$ 8,639,553
Depreciation charges on property, plant and equipment	$ 1,384,000	$ 165,388	$ 1,549,388
Depreciation on investment property	$ -	$ 969	$ 969

As of December 31, 2016 and 2015, the Company had 5,716 and 5,361 employees, respectively.

A. According to the Articles of Incorporation of the Company, a ratio of distributable profit of the current year, after covering accumulated losses, shall be distributed as employees' compensation and directors' and supervisors' remuneration. The ratio shall not be lower than 2% for employees' compensation and shall not be higher than 3% for directors' and supervisors' remuneration.

B. For the years ended December 31, 2016 and 2015, employees' compensation was accrued at $324,446 and $321,913, respectively; while directors' and supervisors' remuneration was accrued at $257,124 and $357,324, respectively. The amounts were recognized in salary expenses.

   For the years ended December 31, 2016, the employees' compensation and directors' and supervisors' remuneration was estimated and accrued based on 2% and 1.585% of distributable profit of current year as of the end of reporting period.

   For 2015, the employees' compensation of 2015 as resolved by the meeting of Board of Directors amounting to $321,913 was in agreement with those amounts recognised in the 2016 financial statements. The Board of Directors during its meeting resolved to distribute 1.585% of retained earnings as supervisors' remuneration for the year ended December 31, 2015 while the amounts recognized in the financial statements based on 2.22% of retained earnings was $357,324 for directors' and supervisors' remuneration. The difference of the directors' and supervisors' remuneration for the year ended 2015 between the two was $102,207 thousand. The difference resulted from adjustment of estimated percentage of directors' and supervisors' remuneration which had been adjusted in the profit or loss for 2016. The employees' compensation for 2015 will be distributed in cash. For the year ended December 31, 2016, the employees' compensation for 2015 has not yet been distributed.

Information about employees' compensation and directors' and supervisors' remuneration of the Company as resolved by the Board of Directors and shareholders' meeting will be posted in the "Market Observation Post System" at the website of the Taiwan Stock Exchange.

(24) Income tax

A. Income tax expense

(a) Components of income tax expense:

	Year ended December 31, 2016	Year ended December 31, 2015
Current tax:		
Current tax on profits for the period	$ 1,583,640	$ 1,774,883
Prior year income tax understimation	324,015	405,527
10% tax on undistributed surplus earnings	174,783	466,786
Total current tax	2,082,438	2,647,196
Deferred tax:		
Origination and reversal of temporary differences	307,392	(7,423)
Income tax expense	$ 2,389,830	$ 2,639,773

(b) The income tax (charge)/credit relating to components of other comprehensive income is as follows:

	Year ended December 31, 2016	Year ended December 31, 2015
Currency translation differences	$ 1,045,110	$ 339,608
Remeasurement of defined benefit obligations	13,655	5,445
Income tax from other comprehensive income	$ 1,058,765	$ 345,053

B. Reconciliation between income tax expense and accounting profit

	Year ended December 31, 2016	Year ended December 31, 2015
Tax calculated based on profit before tax and statutory tax rate	$ 2,658,925	$ 2,620,793
Effects from items disallowed by tax regulation	68,363	65,277
Temporary difference not recognized as deferred tax liabilities	(740,235)	(804,947)
Effect from five-year tax exemption	(96,021)	(113,663)
Prior year income tax (over) underestimation	324,015	405,527
10% Tax on undistributed surplus earnings	174,783	466,786
Income tax expense	$ 2,389,830	$ 2,639,773

C. Amounts of deferred tax assets or liabilities as a result of temporary difference are as follows:

	2016			
	January 1	Recognised in profit or loss	Recognised in other comprehensive income	December 31
Temporary differences:				
－Deferred tax assets:				
Unrealized gain on inter-affiliated accounts	$ 136,448	($ 7,430)	$ -	$ 129,018
Remeasurement of defined benefit obligations	136,442	-	13,655	150,097
Unrealized evaluation losses on financial assets and liabilities	1,261	(1,261)	-	-
Exchange differences on translation of foreign financial statements	-	-	166,481	166,481
Others	12,819	438	-	13,257
Subtotal	$ 286,970	($ 8,253)	$ 180,136	$ 458,853
－Deferred tax liabilities:				
Gain on foreign long-term investments	($ 994,514)	($ 292,627)	$ -	($ 1,287,141)
Adjustment of land value increment tax	(514,733)	-	-	(514,733)
Exchange differences on translation of foreign financial statements	(878,629)	-	878,629	-
Unrealised exchange gain	(10,684)	2,908	-	(7,776)
Others	(16,991)	(9,420)	-	(26,411)
Subtotal	($ 2,415,551)	($ 299,139)	$ 878,629	($ 1,836,061)
Total	($ 2,128,581)	($ 307,392)	$ 1,058,765	($ 1,377,208)

	2015			
	January 1	Recognised in profit or loss	Recognised in other comprehensive income	December 31
Temporary differences:				
－Deferred tax assets:				
Unrealized gain on inter-affiliated accounts	$ 149,851	($ 13,403)	$ -	$ 136,448
Remeasurement of defined benefit obligations	130,997	-	5,445	136,442
Unrealized evaluation losses on financial assets and liabilities	3,810	(2,549)	-	1,261
Others	12,489	330	-	12,819
Subtotal	$ 297,147	($ 15,622)	$ 5,445	$ 286,970
－Deferred tax liabilities:				
Gain on foreign long-term investments	($ 986,433)	($ 8,081)	$ -	($ 994,514)
Adjustment of land value increment tax	(514,733)	-	-	(514,733)
Exchange differences on translation of foreign financial statements	(1,218,237)	-	339,608	(878,629)
Unrealised exchange gain	(19,969)	9,285	-	(10,684)
Others	(38,832)	21,841	-	(16,991)
Subtotal	($ 2,778,204)	$ 23,045	$ 339,608	($ 2,415,551)
Total	($ 2,481,057)	$ 7,423	$ 345,053	($ 2,128,581)

D. In 2009, the investment plan of the Company to increase capital for expanding its production of rubber products is qualified for “Five-year tax exemption incentive for investment in the establishment or expansion of manufacturing enterprises or related technical services from July 1, 2008 to December 31, 2009”. The Company is entitled to income tax exemption for 5 consecutive years starting from 2014 to 2018.

E. The Company accrued deferred tax liabilities, taking into account operating result, degree of expansion and dividend policy of each overseas subsidiary. Based on the assessment, the amounts of temporary difference unrecognised as deferred tax liabilities as of December 31, 2016 and 2015 were $43,481,764 thousand and $44,546,032 thousand, respectively.

F. The Company’s income tax returns through 2013 have been assessed and approved by the Tax Authority.

G. Unappropriated retained earnings:

	December 31, 2016	December 31, 2015
Earnings generated in and before 1997	$ 26,215	$ 26,215
Earnings generated in and after 1998	42,748,287	40,566,997
Total	$ 42,774,502	$ 40,593,212

H. As of December 31, 2016 and 2015, the balance of the imputation tax credit account was $3,370,734 thousand and $3,759,530 thousand, respectively. The creditable tax rate was 10.26% for the year ended December 31, 2015 and is estimated to be 7.89% for year ended December 31, 2016.

(25) Earnings per share

	2016		
	Amount after tax	Weighted average number of ordinary shares outstanding (share in thousands)	Earnings per share (in dollars)
Basic earnings per share			
Profit attributable to ordinary shareholders of the parent	$ 13,250,903	3,241,416	$ 4.09
Diluted earnings per share			
Profit attributable to ordinary shareholders of the parent	13,250,903	3,241,416	
Assumed conversion of all dilutive potential ordinary shares			
Employees' bonus	-	7,908	
Profit attributable to ordinary shareholders of the parent plus assumed conversion of all dilutive potential ordinary shares	$ 13,250,903	3,249,324	$ 4.08

	2015		
	Amount after tax	Weighted average number of ordinary shares outstanding (share in thousands)	Earnings per share (in dollars)
Basic earnings per share			
Profit attributable to ordinary shareholders of the parent	$ 12,776,655	3,241,416	$ 3.94
Diluted earnings per share			
Profit attributable to ordinary shareholders of the parent	12,776,655	3,241,416	
Assumed conversion of all dilutive potential ordinary shares			
Employees' bonus	-	8,323	
Profit attributable to ordinary shareholders of the parent plus assumed conversion of all dilutive potential ordinary shares	$ 12,776,655	3,249,739	$ 3.93

(26) Supplemental cash flow information

Investing activities with partial cash payments

	2016	2015
Purchase of property, plant and equipment	$ 1,502,570	$ 1,694,979
Add: opening balance of payable on equipment	327,348	408,189
Less: ending balance of payable on equipment	(290,468)	(327,348)
Cash paid during the period	$ 1,539,450	$ 1,775,820

7. RELATED PARTY TRANSACTIONS

(1) Names of related parties and relationship with the Company

Information on investee companies and indirect investments in Mainland China are described in Notes 13(2) and 13(3).

(2) Significant related party transactions and balances

A. Operating revenue:

	2016	2015
Sales of goods:		
-Subsidiaries	$ 6,129,333	$ 4,734,685
-Associates	196,986	251,600
Total	$ 6,326,319	$ 4,986,285

The Company's sales price to related parties is approximately the same as third parties. Credit term for export sales is the same as third parties, which is collected after 60 days ~ 90 days.

B. Purchases:

	2016	2015
Sales of goods:		
-Subsidiaries	$ 156,770	$ 165,564
-Associates	222	281
Total	$ 156,992	$ 165,845

The credit term for purchases from related parties is the same with third parties. Except for Maxxis (Thailand) is paid 30 days after the purchase, other payments are the same with third parties, which are 90 days after the purchase.

C. Property transactions:

(a) Proceeds from sales of property and gain (loss) on disposal:

	2016		2015	
	Sales amount	Gain (loss) on disposal	Sales amount	Gain (loss) on disposal
Subsidiaries	$ 766,139	$ 201,725	$ 800,797	$ 122,711

(b) Ending balance of receivables from sales of property:

	December 31, 2016	December 31, 2015
Subsidiaries	$ 154,324	$ 3,360

Abovementioned payments from sales of fixed property to related parties are collected 60~90 days after the sales of equipment.

D. Revenue from patent royalties (listed other income) and other receivables:

(a) Revenue from patent royalties:

	2016	2015
Subsidiaries	$ 556,672	$ 547,736

(b) Ending balance of royalty receivables from technology:

	December 31, 2016	December 31, 2015
Subsidiaries	$ 152,019	$ 154,099

Abovementioned royalty revenue for technology was calculated by applying the agreed upon ratio to net sales amounts, and payment was originally collected yearly and was changed to quarterly since 2014.

E. Interest income – endorsements/guarantees (listed as other income) and other receivables:

(a) Interest income – endorsements/guarantees:

	2016	2015
Subsidiaries	$ 12,293	$ 12,720

(b) Ending balance of interest receivables from endorsements and guarantees:

	December 31, 2016	December 31, 2015
Subsidiaries	$ 4,640	$ 2,884

Abovementioned interest income from endorsements and guarantees was calculated by applying the agreed ratio to the amount guaranteed and payment was originally collected yearly but was changed to quarterly since 2014.

F. Revenue from commission (listed other income) and other receivables:

(a) Revenue from commission:

	2016	2015
Subsidiaries	$ 261,362	$ 283,663

(b) Ending balance of receivables from commission:

	December 31, 2016	December 31, 2015
Subsidiaries	$ 53,407	$ 62,377

Abovementioned commission revenue was determined at certain rate of sales amounts and payment was originally collected yearly but was changed to quarterly since 2014.

G. Revenue from trademark royalties (listed other income) and other receivables:

(a) Revenue from trademark royalties:

	2016	2015
Subsidiaries	$ 400,740	$ 390,222

(b) Ending balance of receivables from trademark royalties:

	December 31, 2016	December 31, 2015
Associates	$ 88,639	$ 90,573

Abovementioned revenue from trademark royalties was determined at certain rate of sales and was originally collected yearly but was changed to quarterly since 2014.

H. Revenue from per diem (listed other income) and other receivables:

(1) Revenue from per diem:

	2016	2015
Subsidiaries	$ 25,882	$ 20,017

(2) Ending balance of receivables from per diem:

	December 31, 2016	December 31, 2015
Subsidiaries	$ 5,738	$ 5,879

The aforementioned per diem income is based on agreed per diem rate multiplied by travelling days. Collection terms have been revised from yearly to quarterly since year 2014.

I. Accounts receivable:

	December 31, 2016	December 31, 2015
Accounts receivable		
-Subsidiaries	$ 1,284,204	$ 886,492
-Associates	33,832	48,098
	$ 1,318,036	$ 934,590

J. Notes receivable:

	December 31, 2016	December 31, 2015
Associates	$ 865	$ 433

K. Accounts payable:

	December 31, 2016	December 31, 2015
Subsidiaries	$ 19,683	$ 14,945

L. Other payables:

	December 31, 2016	December 31, 2015
Subsidiaries	$ 78,781	$ 38,606

Abovementioned payments are advertisement expense and sponsorship to racing drivers paid by related parties on behalf of the Company.

M. Information about guarantees

As of December 31, 2016 and 2015, the Company and certain financial institutions agreed that the Company's subsidiary may apply for loans within the following credit lines as stated in the letter of credit with a local branch of the aforementioned financial institutions. The Company will be responsible for the guarantee. Details are as follows:

Warrantee	Guaranteed line of credit		Used amounts as of December 31, 2016	
Subsidiaries	USD	755,000 thousand	USD	434,131 thousand
	THB	2,000,000 thousand	THB	1,400,000 thousand
	JPY	-	JPY	581,750 thousand
	EUR	-	EUR	4,424 thousand
	RMB	550,000 thousand	RMB	41,601 thousand

Warrantee	Guaranteed line of credit		Used amounts as of December 31, 2015	
Subsidiaries	USD	545,000 thousand	USD	338,373 thousand

As of December 31, 2016 and 2015, the Company's endorsements/guarantees have not exceeded the limit.

(3) Key management compensation

	2016	2015
Salaries and other short-term employee benefits	$ 395,674	$ 503,055
Post-employment benefits	4,472	4,864
Total	$ 400,146	$ 507,919

8. PLEDGED ASSETS

The Company's assets pledged as collateral are as follows:

	Book value		
Pledged asset	December 31, 2016	December 31, 2015	Purpose
Time deposits (shown as Other current assets)	$ 14,530	$ -	Product liability insurance
Time deposits (shown as Other non-current assets)	-	14,766	Maintenance bond and product liability insurance
	$ 14,530	$ 14,766	

9. SIGNIFICANT CONTINGENT LIABILITIES AND UNRECOGNIZED CONTRACT COMMITMENTS

(1) Contingencies

Information about related parties' guarantees is provided in Note 7.

(2) Commitments

A.Capital expenditure contracted for at the balance sheet date but not yet incurred is as follows:

	December 31, 2016	December 31, 2015
Property, plant and equipment	$ 59,927	$ 122,790

B.Amount of letter of credit that has been issued but not yet used:

	December 31, 2016	December 31, 2015
Amount of letter of credit that has been issued but not yet used	$ -	$ 22,877

10. SIGNIFICANT DISASTER LOSS

None.

11. SIGNIFICANT EVENTS AFTER THE BALANCE SHEET DATE

None.

12. OTHERS

(1) Capital management

The Company's objectives when managing capital are to safeguard the Company's ability to continue as a going concern in order to provide returns for shareholders and to maintain an optimal capital structure to reduce the cost of capital. The Company monitors capital structure by using debt-equity ratio. The ratio is calculated as total liability divided by tangible equity. Total liability is calculated as 'total liability' as shown in the consolidated balance sheet. Tangible equity is calculated as 'total shareholders' equity' less 'intangible assets'.

During the year ended December 31, 2016, the Company's strategy, which was unchanged from 2015, was to maintain the debt-equity ratio under 2 times. As of December 31, 2016 and 2015, the Company's debt-equity ratios were as follows:

	December 31, 2016	December 31, 2015
Total liabilities	$ 35,325,743	$ 33,290,151
Total equity	$ 87,493,251	$ 89,161,137
Less : Intangible assets	-	-
Tangible equity	$ 87,493,251	$ 89,161,137
Debt-equity ratio	40.38%	37.34%

(2) Financial instruments

A. Fair value information of financial instruments

The carrying amounts of the Company's financial instruments not measured at fair value (including cash and cash equivalents, notes receivable, accounts receivable and related parties, other receivables (shown as other current assets) refundable deposits (shown as other non-current assets) , short-term loans, accounts payable, other payables, long-term borrowings, bonds payable and guarantee deposits received (Other non-current liabilities) are approximate to their fair values. The fair value information of financial instruments measured at fair value is provided in Note 12(3).

B. Financial risk management policies

(a) The Company's activities expose it to a variety of financial risks: market risk (including foreign exchange risk, interest rate risk and price risk), credit risk and liquidity risk. The Company's overall risk management programme focuses on the unpredictability of financial markets and seeks to minimize potential adverse effects on the Company's financial position and financial performance.

(b) Risk management is carried out by a treasury department (Company treasury) under policies approved by the Board of Directors. Company treasury identifies, evaluates and hedges financial risks in close co-operation with the Company's operating units. The material financing activities are reviewed by the Board of Directors in accordance with procedures required by relevant regulations and internal control system. During the implementation of financing plans, the Board of Directors is assisted in its oversight role by the internal audit department. Internal audit undertakes both regular and exceptional reviews of risk management controls and procedures, and reports the results to the Board of Directors.

C. Significant financial risks and degrees of financial risks

(a) Market risk

Foreign exchange risk

i. The Company operates internationally and is exposed to foreign exchange risk arising from various currency exposures, primarily with respect to the USD and RMB. Foreign exchange risk arises from future commercial transactions, recognized assets and liabilities and net investments in foreign operations.

ii. The Company has certain investments in foreign operations, whose net assets are exposed to foreign currency translation risk. Currency exposure arising from the net assets of the Company's foreign operations is managed primarily through borrowings denominated in the relevant foreign currencies.

iii. The Company's businesses involve some non-functional currency operations (the Company's functional currency: TWD). The information on assets and liabilities denominated in foreign currencies whose values would be materially affected by the exchange rate fluctuations is as follows:

(Foreign currency: functional currency)	December 31, 2016					
				Sensitivity Analysis		
	Foreign currency amount (In thousands)	Exchange rate	Book value (TWD in thousand)	Degree of variation	Effection profit or loss	Effect on other comprehensive income
Financial assets						
Monetary items						
USD:TWD	$ 214,030	32.260	$ 6,904,608	1%	$ 69,046	$ -
EUR:TWD	19,539	33.999	664,306	1%	6,643	-
THB:TWD	133,109	0.901	119,931	1%	1,199	-
JPY:TWD	759,802	0.275	208,946	1%	2,089	-
RMB:TWD	861,015	4.617	3,975,306	1%	39,753	-
GBP:TWD	4,582	39.706	181,933	1%	1,819	-
Investment using the equity method						
USD:TWD	$ 79,985	32.260	$ 2,580,316	1%	$ -	$ 25,803
CAD:TWD	26,225	23.810	624,417	1%	-	6,244
IDR:TWD	967,983,901	0.00243	2,352,201	1%	-	23,522
INR:TWD	3,392,748	0.49970	1,695,356	1%	-	16,954
Financial liabilities						
Monetary items						
USD:TWD	$ 13,419	32.260	$ 432,897	1%	$ 4,329	$ -

(Foreign currency: functional currency)	December 31, 2015					
				Sensitivity Analysis		
	Foreign currency amount (In thousands)	Exchange rate	Book value (TWD in thousand)	Degree of variation	Effection profit or loss	Effect on other comprehensive income
Financial assets						
Monetary items						
USD:TWD	$ 166,302	33.058	$ 5,497,612	1%	$ 54,976	$ -
EUR:TWD	13,564	35.680	483,964	1%	4,840	-
THB:TWD	156,431	0.911	142,509	1%	1,425	-
RMB:TWD	207,177	5.074	1,051,216	1%	10,512	-
Investment using the equity method						
USD:TWD	$ 73,064	33.058	$ 2,415,350	1%	$ -	$ 24,154
CAD:TWD	18,302	23.844	436,393	1%	-	4,364
IDR:TWD	1,012,026,181	0.00243	2,459,224	1%	-	24,592
INR:TWD	3,682,332	0.49970	1,840,061	1%	-	18,401
Financial liabilities						
Monetary items						
USD:TWD	$ 15,500	33.058	$ 512,399	1%	$ 5,124	$ -

F. The exchange gain (loss) (including realized and unrealized) arising from significant foreign exchange variation on the monetary items held by the Company for the years ended December 31, 2016 and 2015, amounted to $295,818 thousand and $369,615 thousand, respectively.

Price risk

A. The Company is exposed to equity securities price risk because of investments held by the Company and classified on the consolidated balance sheet either as available-for-sale or at fair value through profit or loss. The Company is not exposed to commodity price risk. To manage its price risk arising from investments in equity securities, the Company diversifies its portfolio. Diversification of the portfolio is done in accordance with the limits set by the Company.

The Company’s investments in equity securities comprise domestic listed and unlisted stocks. The prices of equity securities would change due to the change of the future value of investee companies. If the prices of these equity securities had increased/decreased by 1% with all other variables held constant, other components of equity would have increased/decreased by $1,243 thousand and $1,582 thousand, respectively, as a result of gains/losses on equity securities classified as available-for-sale.

Interest rate risk

A. The Company’s interest rate risk arises from long-term borrowings. Borrowings issued at variable rates expose the Company to cash flow interest rate risk which is partially offset by cash and cash equivalents held at variable rates. In addition, long-term ordinary corporate bonds issued at fixed rates are not influenced by variations in interest rates. During the years ended December 31, 2016 and 2015, the Company’s borrowings at variable rate were denominated in the TWD.

B. The Group manages its cash flow interest rate risk by using floating-to-fixed interest rate swaps. Limit on hedge is basically one-third of the corresponding currency in borrowing positions. Under the interest rate swaps, the Group agrees with other parties to exchange, at specified intervals (primarily quarterly), the difference between fixed contract rates and floating-rate interest amounts calculated by reference to the agreed notional amounts.

C. At December 31, 2016 and 2015, if interest rates on TWD-denominated borrowings at that date had been 0.1% higher/lower with all other variables held constant, post-tax profit for the years ended December 31, 2016 and 2015 would have been $11,644 thousand and $13,601 thousand lower/higher, respectively, mainly as a result of higher/lower interest expense on floating rate borrowings.

(b) Credit risk

i. Credit risk refers to the risk of financial loss to the Company arising from default by the clients or counterparties of financial instruments on the contract obligations. According to the Company’s credit policy, each local entity in the Company is responsible for managing and analysing the credit risk for each of their new clients before standard payment and delivery terms and conditions are offered. Internal risk control assesses the credit quality of the customers, taking into account their financial position, past experience and other factors. Credit risk arises from cash and cash equivalents, derivative financial instruments and deposits with banks and financial institutions, as well as outstanding receivables and committed transactions.

ii. For the years ended December 31, 2016 and 2015, no credit limits were exceeded during the reporting periods, and management does not expect any significant losses from non-performance by these counterparties.

iii. The ageing analysis of financial assets that were past due but not impaired is as follows
Note 6(3) and 6(4):

iv. The individual analysis of financial assets that had been impaired is provided in the statement for each type of financial assets in Note 6(3) and 6(4).

(c) Liquidity risk

i. Cash flow forecasting is performed in the operating entities of the Company and aggregated by Company treasury. Company treasury monitors rolling forecasts of the Company’s liquidity requirements to ensure it has sufficient cash to meet operational needs while maintaining sufficient headroom on its undrawn committed borrowing facilities. Such forecasting takes into consideration the Company’s debt financing plans, covenant compliance, compliance with internal balance sheet ratio targets and, if applicable external regulatory or legal requirements.

ii.Surplus cash held by the operating entities over and above balance required for working capital management are transferred to the Company treasury. Company treasury invests surplus cash in interest bearing current accounts, time deposits, and marketable securities, choosing instruments with appropriate maturities or sufficient liquidity to provide sufficient head-room as determined by the above-mentioned forecasts.

iii.The table below analyses the Company’s non-derivative financial liabilities and net-settled or gross-settled derivative financial liabilities into relevant maturity groupings based on the remaining period at the balance sheet date to the contractual maturity date for non-derivative financial liabilities and to the expected maturity date for derivative financial liabilities. The amounts disclosed in the table are the contractual undiscounted cash flows.

Non-derivative financial liabilities:

December 31, 2016	Less than 90 days	Between 91 and 180 days	Between 181 and 365 days	Over 1 year	Total
Short-term borrowings	$ 450,945	$ -	$ -	$ -	$ 450,945
Accounts payable (including related parties)	977,641	-	-	-	977,641
Other payables	1,909,782	-	327,098	324,446	2,561,326
Guarantee deposits received	-	-	-	7,860	7,860
Long-term borrowings	208,190	206,229	2,199,271	11,735,464	14,349,154
Bonds payable	-	-	2,061,600	11,988,100	14,049,700

Non-derivative financial liabilities:

December 31, 2015	Less than 90 days	Between 91 and 180 days	Between 181 and 365 days	Over 1 year	Total
Accounts payable (including related parties)	$ 979,313	$ -	$ -	$ -	$ 979,313
Other payables	1,475,521	288,281	415,465	321,914	2,501,181
Guarantee deposits received	-	-	-	8,200	8,200
Long-term borrowings	-	-	635,807	16,217,078	16,852,885
Bonds payable	-	-	126,100	8,889,950	9,016,050

Derivative financial liabilities:

December 31, 2015	Less than 90 days	Between 91 and 180 days	Between 181 and 365 days	Over 1 year	Total
Interest rate swaps	$ -	$ 7,414	$ -	$ -	$ 7,414
Forward exchange contracts	1	-	-	-	$ 1

(3) Fair value information

A. Details of the fair value of the Company's financial assets and financial liabilities not measured at fair value are provided in Note 12(2)A. Details of the fair value of the Company's investment property measured at cost are provided in Note 6(8).

B. The different levels that the inputs to valuation techniques are used to measure fair value of financial and non-financial instruments have been defined as follows:

Level 1:Quoted prices (unadjusted) in active markets for identical assets or liabilities that the entity can access at the measurement date. A market is regarded as active where a market in which transactions for the asset or liability take place with sufficient frequency and volume to provide pricing information on an ongoing basis. The fair value of the Company's investment in listed stocks or beneficiary certificates is included in Level 1

Level 2: Inputs other than quoted prices included within Level 1 that are observable for the asset or liability, either directly or indirectly. The fair value of the Company's investment in most derivative instruments is included in Level 2.

Level 3: Unobservable inputs for the asset or liability. The fair value of the Company's investment in equity investment without active market is included in Level 3.

C. The related information of financial and non-financial instruments measured at fair value by level on the basis of the nature, characteristics and risks of the assets and liabilities at December 31, 2016 and 2015 is as follows:

	December 31, 2016		
	Level 1	Level 2	Level 3
Assets			
Recurring fair value measurements			
Available-for-sale financial assets	$ 66,148	$ -	$ 58,187

	December 31, 2015		
	Level 1	Level 2	Level 3
Assets			
Recurring fair value measurements			
Available-for-sale financial assets	$ 100,055	$ -	$ 58,187
Liabilities			
Recurring fair value measurements			
Financial liabilities at fair value through profit or loss			
-Interest rate swaps	$ -	$ 7,414	$ -
-Forward foreign exchange contracts	-	1	-
	$ -	$ 7,415	$ -

D. The methods and assumptions the Company used to measure fair value are as follows:

(a) The Level 1 the Company used market quoted prices as their fair values, according to the characteristics of instruments, listed shares and balanced mutual fund used closing price as their fair values.

(b) Except for financial instruments with active markets, the fair value of other financial instruments is measured by using valuation techniques or by reference to counterparty quotes.

(c) Level 2: When assessing non-standard and low-complexity financial instruments, for example, interest rate swap contracts, the Company adopts valuation technique that is widely used by market participants. The inputs used in the valuation method to measure these financial instruments are normally observable in the market.

E. For the years ended December 31, 2016 and 2015, there was no transfer between Level 1 and Level 2.

F. For the years ended December 31, 2016 and 2015, there was no transfer into or out from Level 3.

13. SUPPLEMENTARY DISCLOSURES

(1) Significant transactions information

A. Loans to others: Please refer to table 1.

B. Provision of endorsements and guarantees to others: Please refer to table 2.

C. Holding of marketable securities at the end of the period (not including subsidiaries, associates and joint ventures): Please refer to table 3.

D. Acquisition or sale of the same security with the accumulated cost exceeding $300 million or 20% of the Company’s paid-in capital: None.

E. Acquisition of real estate reaching NT$300 million or 20% of paid-in capital or more: Please refer to table 4.

F. Disposal of real estate reaching NT$300 million or 20% of paid-in capital or more: None.

G. Purchases or sales of goods from or to related parties reaching NT$100 million or 20% of paid-in capital or more: Please refer to table 5.

H. Receivables from related parties reaching NT$100 million or 20% of paid-in capital or more: Please refer to table 6.

I. Trading in derivative instruments undertaken during the reporting periods: Please refer to Notes 6(10), 6(21) and 12(2).

J. Significant inter-company transactions during the reporting periods: Please refer to table 7.

(2) Information on investees

Names, locations and other information of investee companies (not including investees in Mainland China)：Please refer to table 8.

(3) Information on investments in Mainland China

A. Basic information: Please refer to table 9.

B. Ceiling on investments in Mainland China: Please refer to table 9.

C. Significant transactions, either directly or indirectly through a third area, with investee companies in the Mainland Area: Please refer to table 12.

Significant transactions, either directly or indirectly through a third area, with investee companies in the Mainland Area for the year ended December 31, 2016: Please refer to table 6, 7 and 8.

CHENG SHIN RUBBER IND. CO., LTD. AND SUBSIDIARIES

Loans to others

For the year ended December 31, 2016

Table 1

Expressed in thousands of NTD
(Except as otherwise indicated)

No. (Note 1)	Creditor	Borrower	General ledger account	Is a related party	Maximum outstanding balance during the year ended December 31, 2016	Balance at December 31, 2016 (Note 5)	Actual amount drawn down	Interest rate	Nature of loan	Amount of transactions with the borrower	Reason for short-term financing	Allowance for doubtful accounts	Collateral Item	Collateral Value	Limit on loans granted to a single party (Note 2)	Ceiling on total loans granted (Note 3)	Footnote
1	XIAMEN CHENG SHIN ENTERPRISE CO., LTD.	CHENG SHIN RUBBER (ZHANGZHOU) IND CO., LTD.	Other receivables	Yes	$ 4,138,390	$ 4,015,880	$ 3,554,220	2.75%~4.75%	Note 4	$ -	Operating capital	$ -	None	$ -	$ 4,808,881	$ 8,014,802	Note 6
1	XIAMEN CHENG SHIN ENTERPRISE CO., LTD.	CHENG SHIN PETREL TIRE (XIAMEN) CO., LTD.	Other receivables	Yes	336,370	322,600	32,260	2.1414%~2.88261%	Note 4	-	Operating capital	-	None	-	4,808,881	8,014,802	Note 6
1	XIAMEN CHENG SHIN ENTERPRISE CO., LTD.	CHENG SHIN RUBBER (XIAMEN) IND., LTD.	Other receivables	Yes	2,537,454	1,245,920	1,015,090	2.6276%~4.75%	Note 4	-	Operating capital	-	None	-	4,808,881	8,014,802	Note 6
1	XIAMEN CHENG SHIN ENTERPRISE CO., LTD.	CHENG SHIN (XIAMEN) INTL AUTOMOBILE CULTURE CENTER CO., LTD.	Other receivables	Yes	153,564	138,498	110,798	4.75%	Note 4	-	Operating capital	-	None	-	4,808,881	8,014,802	Note 6
2	CHENG SHIN PETREL TIRE (XIAMEN) CO., LTD.	CHENG SHIN RUBBER (XIAMEN) IND., LTD.	Other receivables	Yes	1,982,640	923,320	789,439	4.75%	Note 4	-	Operating capital	-	None	-	7,564,526	12,607,543	Note 6
2	CHENG SHIN PETREL TIRE (XIAMEN) CO., LTD.	XIAMEN ESATE CO., LTD.	Other receivables	Yes	495,660	461,660	92,332	4.75%	Note 4	-	Operating capital	-	None	-	7,564,526	12,607,543	Note 6
3	CHENG SHIN RUBBER (XIAMEN) IND., LTD.	CHENG SHIN RUBBER (ZHANGZHOU) IND CO., LTD.	Other receivables	Yes	2,494,600	2,491,840	586,252	2.88261%~4.75%	Note 4	-	Operating capital	-	None	-	14,503,107	24,171,844	Note 6

Note 1: The numbers filled in for the loans provided by the Company or subsidiaries are as follows:
(1) The Company is '0'.
(2) The subsidiaries are numbered in order starting from '1'.

Note 2: Limit on loans granted by CHENG SHIN RUBBER (XIAMEN) IND., LTD. , CHENG SHIN PETREL TIRE (XIAMEN) CO., LTD. and XIAMEN CHENG SHIN ENTERPRISE CO., LTD. to a single party is 60% of the net assets of CHENG SHIN RUBBER (XIAMEN) IND., LTD. and XIAMEN CHENG SHIN ENTERPRISE CO., LTD.

Note 3: Limit on loans granted by CHENG SHIN RUBBER (XIAMEN) IND., LTD., CHENG SHIN PETREL TIRE (XIAMEN) CO., LTD. and XIAMEN CHENG SHIN ENTERPRISE CO., LTD. to a single party is 100% of the net assets of CHENG SHIN RUBBER (XIAMEN) IND., LTD. and XIAMEN CHENG SHIN ENTERPRISE CO., LTD.

Note 4: Fill in purpose of loan when nature of loan is for short-term financing. The transaction was completed through the trust loans signed with financial institutions in Mainland China.

Note 5: The amount of ending balance was equal to the limit on loans as approved by the Board of Directors.

Note 6: The transactions were eliminated when preparing the consolidated financial statements.

CHENG SHIN RUBBER IND. CO., LTD. AND SUBSIDIARIES

Provision of endorsements and guarantees to others

For the year ended December 31, 2016

Table 2

Expressed in thousands of NTD

(Except as otherwise indicated)

Number (Note 1)	Endorser/ guarantor	Party being endorsed/guaranteed: Company name	Party being endorsed/guaranteed: Relationship with the endorser/ guarantor	Limit on endorsements/ guarantees provided for a single party	Maximum outstanding endorsement/ guarantee amount as of December 31, 2016	Outstanding endorsement/ guarantee amount at December 31, 2016	Actual amount drawn down	Amount of endorsements / guarantees secured with collateral	Ratio of accumulated endorsement/ guarantee amount to net asset value of the endorser/ guarantor company	Ceiling on total amount of endorsements/ guarantees provided	Provision of endorsements/ guarantees by parent company to subsidiary	Provision of endorsements/ guarantees by subsidiary to parent company	Provision of endorsements/ guarantees to the party in Mainland China	Footnote
0	Cheng Shin Rubber Ind. Co., Ltd.	MAXXIS International (Thailand) Co., Ltd.	Sub-subsidiary	$ 43,746,626	$ 8,912,259	$ 8,415,300	$ 4,733,705	$ -	9.62	$ 61,245,276	Y	N	N	Note 2 , Note 5
0	Cheng Shin Rubber Ind. Co., Ltd.	Cheng Shin Rubber (Vietnam) IND Co., Ltd.	Sub-subsidiary	43,746,626	3,901,892	1,419,440	800,048	-	1.62	61,245,276	Y	N	N	Note 2 , Note 5
0	Cheng Shin Rubber Ind. Co., Ltd.	CHENG SHIN TIRE & RUBBER (CHONGQING) CO., LTD.	Sub-subsidiary	43,746,626	4,709,180	4,516,400	1,787,741	-	5.16	61,245,276	Y	N	Y	Note 2 , Note 5
0	Cheng Shin Rubber Ind. Co., Ltd.	CHENG SHIN RUBBER (ZHANGZHOU) IND CO., LTD.	Sub-subsidiary	43,746,626	1,513,665	1,451,700	967,800	-	1.66	61,245,276	Y	N	Y	Note 2 , Note 5
0	Cheng Shin Rubber Ind. Co., Ltd.	Maxxis Rubber India Private Limited	Subsidiary	43,746,626	6,129,400	6,129,400	5,813,207	-	7.01	61,245,276	Y	N	N	Note 2 , Note 5
0	Cheng Shin Rubber Ind. Co., Ltd.	PT MAXXIS International Indonesia.	Subsidiary	43,746,626	4,226,060	4,226,060	1,471,462	-	4.83	61,245,276	Y	N	N	Note 2 , Note 5
1	CHENG SHIN RUBBER (XIAMEN) IND., LTD.	XIAMEN ESATE CO., LTD.	Note 3 (1)	19,337,475	2,726,130	2,539,130	192,055	-	10.50	24,171,844	N	N	Y	Note 4 , Note 5

Note 1: The numbers filled in for the endorsements/guarantees provided by the Company or subsidiaries are as follows:

(1) The Company is ‘0’.

(2) The subsidiaries are numbered in order starting from ‘1’.

Note 2: Ceiling on the Company's total endorsements/guarantees to others is 70% of the Company's current net assets. $ 61,245,276

Limit on the Company's endorsements/guarantees to a single party is 20% of the Company's net assets. $ 17,498,650

Limit on the Company's endorsements/guarantees to a foreign single affiliate company is 50% of the Company's net assets. $ 43,746,626

Note 3: Relationship between the endorser/guarantor and the Company is classified into the following two categories:

(1) The endorser/guarantor parent company owns directly more than 50% voting shares of the endorsed/guaranteed subsidiary.

(2) The endorser/guarantor parent company and its subsidiaries jointly own more than 50% voting shares of the endorsed/guaranteed company.

Note 4:Limit on the Company's endorsements/gurantees provided to others is 100% of the Company's net assets.

Limit on total endorsements provided to a single party is 80% of the Company's net assets.

Note 5: Outstanding endorsement/guarantee amount and draw down amount are translated at the spot exchange rates prevailing at December 31, 2016.

CHENG SHIN RUBBER IND. CO., LTD. AND SUBSIDIARIES

Holding of marketable securities at the end of the period (not including subsidiaries, associates and joint ventures)

December 31, 2016

Table 3

Expressed in thousands of NTD
(Except as otherwise indicated)

Securities held by	Marketable securities (Note 1)	Relationship with the securities issuer	General ledger account	As of December 31, 2016 Number of shares/ units	Book value	Ownership (%)	Fair value	Footnote
Cheng Shin Rubber Ind. Co., Ltd.	Other fund	-	Current available-for-sale financial assets	-	$ 30,036	-	$ 30,036	Note 2
Cheng Shin Rubber Ind. Co., Ltd.	Other ordinary shares	-	Current available-for-sale financial assets	-	36,111	-	36,111	Note 2
Cheng Shin Rubber Ind. Co., Ltd.	Other ordinary shares	-	Non-current available-for-sale financial assets	-	58,187	-	58,187	Note 2
CIAO SHIN CO., LTD.	Other ordinary shares	-	Current available-for-sale financial assets	-	75,257	-	75,257	Note 2

Note 1: Marketable securities in the table refer to stocks, bonds, beneficiary certificates and other related derivative securities.
Note 2: Other marketable securities do not exceed 5% of the account.

CHENG SHIN RUBBER IND. CO., LTD. AND SUBSIDIARIES

Acquisition of real estate reaching NT$300 million or 20% of paid-in capital or more

For the year ended December 31, 2016

Table 4

Expressed in thousands of NTD

(Except as otherwise indicated)

							If the counterparty is a related party, information as to the last transaction of the real estate is disclosed below:						
Real estate acquired by	Real estate acquired	Date of the event	Transaction amount	Status of payment	Counterparty	Relationship with the counterparty	Original owner who sold the real estate to the counterparty	Relationship between the original owner and the acquirer	Date of the original transaction	Amount	Basis or reference used in setting the price	Reason for acquisition of real estate and status of the real estate	Other commitments
PT MAXXIS International Indonesia	Construction projects	2015/11/27	$ 3,219,528	$ 1,499,354	PT.SMCC UTAMA INDONESIA	Third party	-	-	-	-	Contracts	Operational needs	None

Note 1: The appraisal result should be presented in the 'Basis or reference used in setting the price' column if the real estate acquired should be appraised pursuant to the regulations.
Note 2: Paid-in capital referred to herein is the paid-in capital of parent company.
Note 3: Date of the event referred to herein is the date of contract signing date, date of payment, date of execution of a trading order, date of title transfer, date of board resolution, or other date that can confirm the counterparty and the monetary amount of the transaction, whichever is earlier.

CHENG SHIN RUBBER IND. CO., LTD. AND SUBSIDIARIES

Purchases or sales of goods from or to related parties reaching $100 million or 20% of paid-in capital or more

For the year ended December 31, 2016

Table 5

Expressed in thousands of NTD
(Except as otherwise indicated)

			Transaction				Differences in transaction terms compared to third party transactions (Note 1)		Notes/accounts receivable (payable)		
Purchaser/seller	Counterparty	Relationship with the counterparty	Purchases (sales)	Amount	Percentage of total purchases (sales)	Credit term	Unit price	Credit term	Balance	Percentage of total notes/accounts receivable (payable)	Footnote (Note 2)
Cheng Shin Rubber Ind. Co., Ltd.	CHENG SHIN RUBBER USA, INC.	Subsidiary	(sales)	($ 3,195,456)	(15.48)	Collect within 90 days after shipment of goods	Same	Same	$ 552,093	20.22	Note 4
Cheng Shin Rubber Ind. Co., Ltd.	CHENG SHIN RUBBER CANADA, INC.	Subsidiary	(sales)	(1,340,737)	(6.50)	Collect within 90 days after shipment of goods	Same	Same	348,748	12.77	Note 4
Cheng Shin Rubber Ind. Co., Ltd.	MAXXIS International (Thailand) Co., Ltd.	Sub-subsidiary	(sales)	(260,033)	(1.26)	Collect within 90 days after shipment of goods	Same	Same	32,569	1.19	Note 4
Cheng Shin Rubber Ind. Co., Ltd.	Maxxis(Taiwan) Trading Co., LTD.	Subsidiary	(sales)	(1,485,040)	(7.20)	Collect within 30 days	Same	Same	316,081	11.58	Note 4
Cheng Shin Rubber Ind. Co., Ltd.	MERIDA INDUSTRY CO., LTD.	Associates	(sales)	(130,269)	(0.63)	Collect within 76 days after shipment of goods	Same	Same	34,692	1.27	
CHENG SHIN RUBBER (XIAMEN) IND., LTD.	CHENG SHIN TIRE & RUBBER (CHINA)CO.,LTD.	Same ultimate parent	(sales)	(323,061)	(1.57)	Collect within 60~90 days after shipment of goods	Same	Same	126,033	5.87	Note 4
CHENG SHIN RUBBER (XIAMEN) IND., LTD.	CHENG SHIN RUBBER (ZHANGZHOU) IND CO., LTD.	Same ultimate parent	(sales)	(373,492)	(1.82)	Collect within 60~90 days after shipment of goods	Same	Same	97,470	4.54	Note 4
CHENG SHIN RUBBER (XIAMEN) IND., LTD.	Cheng Shin Holland B.V.	Associates	(sales)	(186,159)	(0.91)	Collect within 60~90 days after shipment of goods	Same	Same	53,013	2.47	Note 4
XIAMEN CHENG SHIN ENTERPRISE CO., LTD.	CHENG SHIN RUBBER (XIAMEN) IND., LTD.	Same ultimate parent	(sales)	(1,996,261)	(43.98)	Collect within 60~90 days after shipment of goods	Same	Same	358,854	36.95	Note 4
XIAMEN CHENG SHIN ENTERPRISE CO., LTD.	CHENG SHIN PETREL TIRE (XIAMEN) CO., LTD.	Same ultimate parent	(sales)	(525,202)	(11.57)	Collect within 60~90 days after shipment of goods	Same	Same	97,704	10.06	Note 4
XIAMEN CHENG SHIN ENTERPRISE CO., LTD.	TIANJIN TAFENG RUBBER IND CO., LTD.	Same ultimate parent	(sales)	(181,157)	(3.99)	Collect within 60~90 days after shipment of goods	Same	Same	32,840	3.38	Note 4
XIAMEN CHENG SHIN ENTERPRISE CO., LTD.	CHENG SHIN RUBBER (ZHANGZHOU) IND CO., LTD.	Same ultimate parent	(sales)	(193,250)	(4.26)	Collect within 60~90 days after shipment of goods	Same	Same	37,936	3.91	Note 4
XIAMEN CHENG SHIN ENTERPRISE CO., LTD.	CHENG SHIN TIRE & RUBBER (CHINA) CO., LTD.	Same ultimate parent	(sales)	(178,612)	(3.93)	Collect within 60~90 days after shipment of goods	Same	Same	29,258	3.01	Note 4
CHENG SHIN RUBBER (ZHANGZHOU) IND CO., LTD.	CHENG SHIN RUBBER (XIAMEN) IND., LTD.	Same ultimate parent	(sales)	(368,598)	(5.08)	Collect within 60~90 days after shipment of goods	Same	Same	74,823	89.02	Note 4
CHENG SHIN TIRE & RUBBER (CHINA) CO., LTD.	CHENG SHIN RUBBER CANADA, INC.	Same ultimate parent	(sales)	(503,877)	(1.98)	Collect within 60~90 days after shipment of goods	Same	Same	106,923	2.72	Note 4
CHENG SHIN TIRE & RUBBER (CHINA) CO., LTD.	CHENG SHIN RUBBER USA, INC.	Same ultimate parent	(sales)	(144,492)	(0.57)	Collect within 60~90 days after shipment of goods	Same	Same	34,221	0.87	Note 4
CHENG SHIN TOYO (KUNSHAN) MACHINERY CO., LTD.	CHENG SHIN TIRE & RUBBER (CHINA) CO., LTD.	Same ultimate parent	(sales)	(240,218)	(49.42)	Collect within 60~90 days after shipment of goods	Same	Same	76,112	71.18	Note 4
CHENG SHIN TIRE & RUBBER (CHONGQING) CO., LTD.	CHENG SHIN TIRE & RUBBER (CHINA) CO., LTD.	Same ultimate parent	(sales)	(831,596)	(9.93)	Collect within 60~90 days after shipment of goods	Same	Same	127,765	20.50	Note 4
Cheng Shin Rubber (Vietnam) IND Co., Ltd.	MAXXIS International (Thailand) Co., Ltd.	Same ultimate parent	(sales)	(227,454)	(4.24)	Collect within 60~90 days after shipment of goods	Same	Same	9,826	1.45	Note 4
MAXXIS International (Thailand) Co., Ltd.	CHENG SHIN RUBBER USA, INC.	Same ultimate parent	(sales)	(880,421)	(5.99)	Collect within 60~90 days after shipment of goods	Same	Same	227,581	12.53	Note 4
MAXXIS International (Thailand) Co., Ltd.	CHENG SHIN TIRE & RUBBER (CHINA) CO., LTD.	Same ultimate parent	(sales)	(192,247)	(1.31)	Collect within 60~90 days after shipment of goods	Same	Same	56,718	3.12	Note 4

CHENG SHIN RUBBER IND. CO., LTD. AND SUBSIDIARIES

Purchases or sales of goods from or to related parties reaching $100 million or 20% of paid-in capital or more

For the year ended December 31, 2016

Table 5

Expressed in thousands of NTD
(Except as otherwise indicated)

			Transaction				Differences in transaction terms compared to third party transactions (Note 1)		Notes/accounts receivable (payable)		
Purchaser/seller	Counterparty	Relationship with the counterparty	Purchases (sales)	Amount	Percentage of total purchases (sales)	Credit term	Unit price	Credit term	Balance	Percentage of total notes/accounts receivable (payable)	Footnote (Note 2)
MAXXIS International (Thailand) Co., Ltd.	Cheng Shin Rubber (Vietnam) IND Co., Ltd.	Same ultimate parent	(sales)	($ 207,559)	(1.41)	Collect within 60~90 days after shipment of goods	Same	Same	$ 37,346	2.06	Note 4

Note 1: If terms of related-party transactions are different from third-party transactions, explain the differences and reasons in the ‘Unit price’ and ‘Credit term’ columns.
Note 2: In case related-party transaction terms involve advance receipts (prepayments) transactions, explain in the footnote the reasons, contractual provisions, related amounts, and differences in types of transactions compared to third-party transactions.
Note 3: Paid-in capital referred to herein is the paid-in capital of parent company.
Note 4: The transactions were eliminated when preparing the consolidated financial statements.

CHENG SHIN RUBBER IND. CO., LTD. AND SUBSIDIARIES

Receivables from related parties reaching NT$100 million or 20% of paid-in capital or more

December 31, 2016

Table 6

Expressed in thousands of NTD

(Except as otherwise indicated)

Creditor	Counterparty	Relationship with the counterparty	Balance as at December 31, 2016	Turnover rate	Overdue receivables: Amount	Overdue receivables: Action taken	Amount collected subsequent to the balance sheet date (Note 1)	Allowance for doubtful accounts
Cheng Shin Rubber Ind. Co., Ltd.	CHENG SHIN RUBBER USA, INC.	Subsidiary (Note 5)	$ 552,354	Note 4	$ -	-	$ 485,120	-
Cheng Shin Rubber Ind. Co., Ltd.	CHENG SHIN RUBBER CANADA, INC.	Subsidiary (Note 5)	348,978	Note 4	-	-	209,119	-
Cheng Shin Rubber Ind. Co., Ltd.	MAXXIS International (Thailand) Co., Ltd.	Sub-subsidiary (Note 5)	248,743	Note 3	-	-	91,476	-
Cheng Shin Rubber Ind. Co., Ltd.	Cheng Shin Rubber (Vietnam) IND Co., Ltd.	Sub-subsidiary (Note 5)	116,969	Note 3	-	-	36,340	-
Cheng Shin Rubber Ind. Co., Ltd.	Maxxis(Taiwan) Trading Co., LTD.	Subsidiary (Note 5)	316,392	Note 4	-	-	316,112	-
CHENG SHIN RUBBER (XIAMEN) IND., LTD.	CHENG SHIN TIRE & RUBBER (CHINA) CO., LTD.	Same ultimate parent (Note 5)	126,033	2.66	-	-	5,001	-
CHENG SHIN RUBBER (XIAMEN) IND., LTD.	CHENG SHIN RUBBER (ZHANGZHOU) IND CO., LTD.	Same ultimate parent (Note 5)	302,720	Note 4	-	-	188,414	-
XIAMEN CHENG SHIN ENTERPRISE CO., LTD.	CHENG SHIN RUBBER (XIAMEN) IND., LTD.	Same ultimate parent (Note 5)	359,937	Note 4	-	-	166,109	-
CHENG SHIN TIRE & RUBBER (CHINA) CO., LTD.	CHENG SHIN RUBBER CANADA, INC.	Same ultimate parent (Note 5)	106,923	4.34	-	-	7,201	-
CHENG SHIN TIRE & RUBBER (CHONGQING) CO., LTD.	CHENG SHIN TIRE & RUBBER (CHINA) CO., LTD.	Same ultimate parent (Note 5)	127,765	5.15	-	-	117,563	-
MAXXIS International (Thailand) Co., Ltd.	CHENG SHIN RUBBER USA, INC.	Same ultimate parent (Note 5)	227,581	5.60	-	-	158,646	-

Note 1: Subsequent collection is the amount collected as of March 13, 2017.
Note 2: Paid-in capital referred to herein is the paid-in capital of parent company.
Note 3: The amount comprises accounts receivable, commission receivable, endorsements/guarantees receivable, patent royalties receivable, royalties receivable for trademark and other receivables and thus, the turnover rate is not calculated
Note 4: The amount comprises accounts receivable and other receivables and thus, the turnover rate is not calculated.
Note 5: The transactions were eliminated when preparing the consolidated financial statements.

CHENG SHIN RUBBER IND. CO., LTD. AND SUBSIDIARIES

Significant inter-company transactions during the reporting periods

For the year ended December 31, 2016

Table 7

Expressed in thousands of NTD

(Except as otherwise indicated)

Number (Note 1)	Company name	Counterparty	Relationship (Note 2)	Transaction: General ledger account	Transaction: Amount (Note 4)	Transaction: Transaction terms	Transaction: Percentage of consolidated total operating revenues or total assets (Note 3)
0	Cheng Shin Rubber Ind. Co., Ltd.	CHENG SHIN RUBBER USA, INC.	1	Sales	$ 3,195,456	Collect within 90 days after shipment of goods	2.72%
0	Cheng Shin Rubber Ind. Co., Ltd.	CHENG SHIN RUBBER USA, INC.	1	Accounts receivable	552,093	Collect within 90 days after shipment of goods	0.33%
0	Cheng Shin Rubber Ind. Co., Ltd.	CHENG SHIN RUBBER CANADA, INC.	1	Sales	1,340,737	Collect within 90 days after shipment of goods	1.14%
0	Cheng Shin Rubber Ind. Co., Ltd.	CHENG SHIN RUBBER CANADA, INC.	1	Accounts receivable	348,748	Collect within 90 days after shipment of goods	0.21%
0	Cheng Shin Rubber Ind. Co., Ltd.	MAXXIS International (Thailand) Co., Ltd.	1	Sales	260,033	Collect within 90 days after shipment of goods	0.22%
0	Cheng Shin Rubber Ind. Co., Ltd.	MAXXIS International (Thailand) Co., Ltd.	1	Other receivables	211,439	Collected every quarter	0.18%
0	Cheng Shin Rubber Ind. Co., Ltd.	MAXXIS International (Thailand) Co., Ltd.	1	Sales of fixed assets and other assets	525,364	Collect within 60~90 days after sales of equipment	0.45%
0	Cheng Shin Rubber Ind. Co., Ltd.	Cheng Shin Rubber (Vietnam) IND Co., Ltd.	1	Sales of fixed assets and other assets	215,127	Collect within 60~90 days after sales of equipment	0.18%
0	Cheng Shin Rubber Ind. Co., Ltd.	Maxxis(Taiwan) Trading Co., LTD.	1	Sales	1,485,040	The term is 30 days after monthly billing.	1.27%
0	Cheng Shin Rubber Ind. Co., Ltd.	Maxxis(Taiwan) Trading Co., LTD.	1	Accounts receivable	316,081	The term is 30 days after monthly billing.	0.19%
1	CHENG SHIN RUBBER (XIAMEN) IND., LTD.	CHENG SHIN TIRE & RUBBER (CHINA)CO.,LTD.	3	Sales	323,061	Collect within 60~90 days after shipment of goods	0.28%
1	CHENG SHIN RUBBER (XIAMEN) IND., LTD.	CHENG SHIN RUBBER (ZHANGZHOU) IND CO., LTD.	3	Sales	373,492	Collect within 60~90 days after shipment of goods	0.32%
1	CHENG SHIN RUBBER (XIAMEN) IND., LTD.	CHENG SHIN RUBBER (ZHANGZHOU) IND CO., LTD.	3	Other receivables	586,252	Pay interest quarterly	0.35%
1	CHENG SHIN RUBBER (XIAMEN) IND., LTD.	CHENG SHIN RUBBER (ZHANGZHOU) IND CO., LTD.	3	Sales of fixed assets and other assets	416,438	Collect within 45 days after sales of equipment	0.35%
1	CHENG SHIN RUBBER (XIAMEN) IND., LTD.	CHENG SHIN RUBBER (ZHANGZHOU) IND CO., LTD.	3	Other receivables	205,250	Collect within 45 days after sales of equipment	0.12%
2	XIAMEN CHENG SHIN ENTERPRISE CO., LTD.	CHENG SHIN RUBBER (XIAMEN) IND., LTD.	3	Sales	1,996,261	Collect within 60~90 days after shipment of goods	1.70%
2	XIAMEN CHENG SHIN ENTERPRISE CO., LTD.	CHENG SHIN RUBBER (XIAMEN) IND., LTD.	3	Accounts receivable	358,854	Collect within 60~90 days after shipment of goods	0.21%
2	XIAMEN CHENG SHIN ENTERPRISE CO., LTD.	CHENG SHIN PETREL TIRE (XIAMEN) CO., LTD.	3	Sales	525,202	Collect within 60~90 days after shipment of goods	0.45%
2	XIAMEN CHENG SHIN ENTERPRISE CO., LTD.	CHENG SHIN RUBBER (ZHANGZHOU) IND CO., LTD.	3	Other receivables	3,554,220	Pay interest quarterly	2.11%
2	XIAMEN CHENG SHIN ENTERPRISE CO., LTD.	CHENG SHIN RUBBER (XIAMEN) IND., LTD.	3	Other receivables	1,015,090	Pay interest quarterly	0.60%
3	CHENG SHIN PETREL TIRE (XIAMEN) CO., LTD.	CHENG SHIN RUBBER (XIAMEN) IND., LTD.	3	Other receivables	789,439	Pay interest quarterly	0.47%

CHENG SHIN RUBBER IND. CO., LTD. AND SUBSIDIARIES

Significant inter-company transactions during the reporting periods

For the year ended December 31, 2016

Table 7

Expressed in thousands of NTD
(Except as otherwise indicated)

Number (Note 1)	Company name	Counterparty	Relationship (Note 2)	Transaction: General ledger account	Transaction: Amount (Note 4)	Transaction: Transaction terms	Transaction: Percentage of consolidated total operating revenues or total assets (Note 3)
4	CHENG SHIN RUBBER (ZHANGZHOU) IND CO., LTD.	CHENG SHIN RUBBER (XIAMEN) IND., LTD.	3	Sales	$ 368,598	Collect within 60~90 days after shipment of goods	0.31%
5	CHENG SHIN TOYO (KUNSHAN) MACHINERY CO., LTD.	CHENG SHIN TIRE & RUBBER (CHINA) CO., LTD.	3	Sales	240,218	Collect within 60~90 days after shipment of goods	0.20%
6	CHENG SHIN TIRE & RUBBER (CHINA)CO.,LTD.	CHENG SHIN RUBBER CANADA, INC.	3	Sales	503,877	Collect within 60~90 days after shipment of goods	0.43%
7	CHENG SHIN TIRE & RUBBER (CHONGQING) CO., LTD.	CHENG SHIN TIRE & RUBBER (CHINA) CO., LTD.	3	Sales	831,596	Collect within 60~90 days after shipment of goods	0.71%
8	MAXXIS International (Thailand) Co., Ltd.	CHENG SHIN RUBBER USA, INC.	3	Sales	880,421	Collect within 60~90 days after shipment of goods	0.75%
8	MAXXIS International (Thailand) Co., Ltd.	CHENG SHIN RUBBER USA, INC.	3	Accounts receivable	227,581	Collect within 60~90 days after shipment of goods	0.14%
8	MAXXIS International (Thailand) Co., Ltd.	Cheng Shin Rubber (Vietnam) IND Co., Ltd.	3	Sales	207,559	Collect within 60~90 days after shipment of goods	0.18%
9	Cheng Shin Rubber (Vietnam) IND Co., Ltd.	MAXXIS International (Thailand) Co., Ltd.	3	Sales	227,454	Collect within 60~90 days after shipment of goods	0.19%

Note 1: The numbers filled in for the transaction company in respect of inter-company transactions are as follows:
(1) Parent company is '0'.
(2) The subsidiaries are numbered in order starting from '1'.

Note 2: Relationship between transaction company and counterparty is classified into the following three categories:
(1) Parent company to subsidiary.
(2) Subsidiary to parent company.
(3) Subsidiary to subsidiary.

Note 3: Regarding percentage of transaction amount to consolidated total operating revenues or total assets, it is computed based on period-end balance of transaction to consolidated total assets for balance sheet accounts and based on accumulated transaction amount for the period to consolidated total operating revenues for income statement accounts.

Note 4: Transaction amounts account for at least NT$200 million.

CHENG SHIN RUBBER IND. CO., LTD. AND SUBSIDIARIES

Information on investees

For the year ended December 31, 2016

Table 8

Expressed in thousands of NTD

(Except as otherwise indicated)

Investor	Investee	Location	Main business activities	Initial investment amount: Balance as at December 31, 2016	Initial investment amount: Balance as at December 31, 2015	Shares held as at December 31, 2016: Number of shares	Shares held as at December 31, 2016: Ownership (%)	Shares held as at December 31, 2016: Book value	Net profit (loss) of the investee for the year ended December 31, 2016	Investment income(loss) recognised by the Company for the year ended December 31, 2016 (Note 1)	Footnote
Cheng Shin Rubber Ind. Co., Ltd.	MAXXIS International Co., Ltd.	Cayman Islands	Holding company	$ 912,218	$ 912,218	35,050,000	100.00	$ 43,421,844	$ 3,810,311	$ 3,822,312	Subsidiary Note 3
Cheng Shin Rubber Ind. Co., Ltd.	CST Trading Ltd.	British Virgin Islands	Holding company	2,103,073	2,103,073	72,900,000	100.00	26,373,039	5,717,105	5,726,831	Subsidiary Note 3
Cheng Shin Rubber Ind. Co., Ltd.	MAXXIS Trading Ltd.	British Virgin Islands	Holding company	7,669,780	7,669,780	237,811,720	100.00	10,878,314	1,649,350	1,641,324	Subsidiary Note 3
Cheng Shin Rubber Ind. Co., Ltd.	CHENG SHIN RUBBER USA, INC.	U.S.A	Import and export of tires	551,820	551,820	1,800,000	100.00	2,580,312	336,706	336,650	Subsidiary Note 3
Cheng Shin Rubber Ind. Co., Ltd.	CHENG SHIN RUBBER CANADA, INC.	Canada	Import and export of tires	32,950	32,950	1,000,000	100.00	624,408	194,837	194,837	Subsidiary Note 3
Cheng Shin Rubber Ind. Co., Ltd.	CIAO SHIN CO., LTD.	Taiwan	Investment in various business	97,000	97,000	9,700,000	97.00	176,165	2,103	2,040	Subsidiary Note 3
Cheng Shin Rubber Ind. Co., Ltd.	NEW PACIFIC INDUSTRY COMPANY LIMITED	Taiwan	Processing and sales of various anti-vibration rubber and hardware	50,001	50,000	5,000,000	50.00	164,767	39,585	19,793	Note 2
Cheng Shin Rubber Ind. Co., Ltd.	MAXXIS Tech Center Europe B.V.	Netherlands	Technical centre	41,260	41,260	1,000,000	100.00	53,470	2,619	2,619	Subsidiary Note 3
Cheng Shin Rubber Ind. Co., Ltd.	Cheng Shin Holland B.V.	Netherlands	Import and export of tires	23,162	23,162	9,708	30.00	12,546	17,787	5,336	Note 2
Cheng Shin Rubber Ind. Co., Ltd.	PT MAXXIS INTERNATIONAL INDONESIA	Indonesia	Production and sales of various types of tires	2,461,355	2,461,355	79,997,000	100.00	2,347,361	(107,242)	(107,242)	Subsidiary Note 3
Cheng Shin Rubber Ind. Co., Ltd.	Maxxis Rubber India Private Limited	India	Production and sales of various types of tires	1,826,095	1,826,095	369,997,000	100.00	1,695,356	(52,349)	(52,349)	Subsidiary Note 3
Cheng Shin Rubber Ind. Co., Ltd.	Maxxis(Taiwan) Trading Co., LTD.	Taiwan	Wholesale and retail of tires	100,000	-	10,000,000	100.00	298,139	198,139	198,139	Subsidiary Note 3
MAXXIS International Co., Ltd.	MAXXIS International (HK) Ltd.	Hong Kong	Holding company	-	-	226,801,983	100.00	34,073,591	3,693,283	3,693,283	Sub-subsidiary Note 3
CST Trading Ltd.	Cheng Shin International (HK) Ltd.	Hong Kong	Holding company	-	-	246,767,840	100.00	26,229,256	5,719,594	5,719,594	Sub-subsidiary Note 3
MAXXIS Trading Ltd.	MAXXIS Holdings (BVI) Co., Ltd.	British Virgin Islands	Import and export of tires	7,669,780	7,669,780	237,811,720	100.00	11,359,050	1,649,350	1,649,350	Sub-subsidiary Note 3

CHENG SHIN RUBBER IND. CO., LTD. AND SUBSIDIARIES

Information on investees

For the year ended December 31, 2016

Table 8

Expressed in thousands of NTD

(Except as otherwise indicated)

Investor	Investee	Location	Main business activities	Initial investment amount		Shares held as at December 31, 2016			Net profit (loss) of the investee for the year ended December 31, 2016	Investment income(loss) recognised by the Company for the year ended December 31, 2016 (Note 1)	Footnote
				Balance as at December 31, 2016	Balance as at December 31, 2015	Number of shares	Ownership (%)	Book value			
MAXXIS Holdings (BVI) Co., Ltd.	MAXXIS International (Thailand) Co., Ltd.	Thailand	Production and sales of truck and automobile tires	5,724,372	5,724,372	65,000,000	100.00	8,550,738	598,253	597,880	Sub-subsidiary Note 3
MAXXIS Holdings (BVI) Co., Ltd.	Cheng Shin Rubber (Vietnam) IND Co., Ltd.	Vietnam	Production and sales of various types of tires	1,945,408	1,945,408	62,000,000	100.00	2,804,969	1,051,141	1,043,489	Sub-subsidiary Note 3

Note 1: Including investment income (loss) used to offset against sidestream and upstream transactions.
Note 2: Investee companies are accounted for under the equity method.
Note 3: The transactions were eliminated when preparing the consolidated financial statements.

CHENG SHIN RUBBER IND. CO., LTD. AND SUBSIDIARIES

Information on investments in Mainland China

For the year ended December 31, 2016

Table 9

Expressed in thousands of NTD
(Except as otherwise indicated)

Investee in Mainland China	Main business activities	Paid-in capital	Investment method (Note 1)	Accumulated amount of remittance from Taiwan to Mainland China as of January 1, 2016	Amount remitted from Taiwan to Mainland China/ Amount remitted back to Taiwan for the year ended December 31, 2016		Accumulated amount of remittance from Taiwan to Mainland China for the year ended December 31, 2016	Net income of investee as of December 31, 2016	Ownership held by the Company (direct or indirect)	Investment income (loss) recognised by the Company for the year ended December 31, 2016 (Note 2)	Book value of investments in Mainland China as of December 31, 2016	Accumulated amount of investment income remitted back to Taiwan as of December 31, 2016	Footnote
					Remitted to Mainland China	Remitted back to Taiwan							
CHENG SHIN RUBBER (XIAMEN) IND., LTD.	A. Cover and tubes of tires and cover and tubes of bicycle tires B. Reclaimed rubber, adhesive, tape and other rubber products C. Plastic machinery, molds and its accessory products	$ 5,643,750	2	$ 910,834	$ -	$ -	$ 910,834	$ 2,690,831	$ 100	$ 2,696,084	$ 24,171,844	$ 14,924,957	(Note 2、3、5、6、7)
CHENG SHIN TIRE & RUBBER (CHINA) CO., LTD.	A. Cover and tubes of tires and cover and tubes of bicycle tires B. Reclaimed rubber, adhesive, tape and other rubber products C. Plastic machinery, molds and its accessory products	7,256,250	2	2,385,506	-	-	2,385,506	5,110,652	100	5,131,573	24,245,118	13,617,999	(Note 2、4、6、8)
CHENG SHIN TOYO (KUNSHAN) MACHINERY CO., LTD.	Plastic machinery, molds and its accessory products	274,125	2	68,602	-	-	68,602	151,918	50	75,959	356,138	321,234	(Note 6、8)
CHENG SHIN TIRE & RUBBER (CHONGQING) CO., LTD.	A. Cover and tubes of tires and cover and tubes of bicycle tires B. Reclaimed rubber, adhesive, tape and other rubber products C. Plastic machinery, molds and its accessory products	3,225,000	2	-	-	-	-	1,738,865	100	1,739,375	5,662,583	360,728	(Note 2、4、6、8)
KUNSHAN MAXXIS TIRE CO., LTD	Retail of accessories for rubber tires	23,085	2	-	-	-	-	(276)	100	(276)	22,822	-	(Note 6、8)
TIANJIN TAFENG RUBBER IND CO., LTD.	A. Cover and tubes of tires and cover and tubes of bicycle tires B. Reclaimed rubber, adhesive, tape and other rubber products C. Plastic machinery, molds and its accessory products	580,500	2	-	-	-	-	22,512	100	22,512	1,853,740	740,433	(Note 6、7)
CHENG SHIN PETREL TIRE (XIAMEN) CO., LTD.	A. Radial tire and other various tire products B. Reclaimed rubber, adhesive, tape and other rubber products C. Plastic machinery, molds and its accessory products	4,192,500	2	-	-	-	-	160,482	100	160,557	12,619,138	3,524,680	(Note 2、3、6、7)

CHENG SHIN RUBBER IND. CO., LTD. AND SUBSIDIARIES

Information on investments in Mainland China

For the year ended December 31, 2016

Table 9

Expressed in thousands of NTD

(Except as otherwise indicated)

Investee in Mainland China	Main business activities	Paid-in capital	Investment method (Note 1)	Accumulated amount of remittance from Taiwan to Mainland China as of January 1, 2016	Amount remitted from Taiwan to Mainland China/ Amount remitted back to Taiwan for the year ended December 31, 2016		Accumulated amount of remittance from Taiwan to Mainland China for the year ended December 31, 2016	Net income of investee as of December 31, 2016	Ownership held by the Company (direct or indirect)	Investment income (loss) recognised by the Company for the year ended December 31, 2016 (Note 2)	Book value of investments in Mainland China as of December 31, 2016	Accumulated amount of investment income remitted back to Taiwan as of December 31, 2016	Footnote
					Remitted to Mainland China	Remitted back to Taiwan							
XIAMEN CHENG SHIN ENTERPRISE CO., LTD.	A. Radial tire and other various tire products B. Reclaimed rubber, adhesive, tape and other rubber products C. Plastic machinery, molds and its accessory products	$ 1,451,250	2	$ -	$ -	$ -	$ -	$ 858,943	100	$ 864,563	$ 8,014,802	$ 4,055,472	(Note 2、6、7)
CHENG SHIN (XIAMEN) INTL AUTOMOBILE CULTURE CENTER CO., LTD	A. Research, development and testing of tires and automobiles accessory products and display of related products B. Management of racing tracks	645,000	2	-	-	-	-	(54,274)	100	(54,274)	472,878	-	(Note 6)
CHIN CHOU CHENG SHIN ENTERPRISE CO., LTD.	Distribution of rubber and components of tires	161,595	2	-	-	-	-	(14,301)	95	(13,586)	151,368	-	(Note 6、7)
CHENG SHIN LOGISTIC (XIAMEN) CO., LTD.	International container transportation business	66,540	2	-	-	-	-	38,493	49	18,861	199,843	-	(Note 6、7)
CHENG SHIN RUBBER (ZHANGZHOU) IND CO., LTD.	A. Tires and tubes B. Reclaimed rubber, adhesive, tape and other rubber products C. Plastic machinery, molds and its accessory products	4,386,150	2	-	-	-	-	791,024	100	792,077	5,656,186	303,610	(Note 2、5、6、7)
CHENG SHIN(ZHANGZHOU) MECHANICAL & ELECTRICAL ENGINEERING CO., LTD.	Manufacturing and sales of equipment	92,340	2	-	-	-	-	1,279	50	639	78,339	-	(Note 6、7)

CHENG SHIN RUBBER IND. CO., LTD. AND SUBSIDIARIES

Information on investments in Mainland China

For the year ended December 31, 2016

Table 9

Expressed in thousands of NTD

(Except as otherwise indicated)

Investee in Mainland China	Main business activities	Paid-in capital	Investment method (Note 1)	Accumulated amount of remittance from Taiwan to Mainland China as of January 1, 2016	Amount remitted from Taiwan to Mainland China/ Amount remitted back to Taiwan for the year ended December 31, 2016: Remitted to Mainland China	Remitted back to Taiwan	Accumulated amount of remittance from Taiwan to Mainland China for the year ended December 31, 2016	Net income of investee as of December 31, 2016	Ownership held by the Company (direct or indirect)	Investment income (loss) recognised by the Company for the year ended December 31, 2016 (Note 2)	Book value of investments in Mainland China as of December 31, 2016	Accumulated amount of investment income remitted back to Taiwan as of December 31, 2016	Footnote
XIAMEN ESATE CO., LTD.	Construction and trading of employees' housing	$ 1,523,610	2	$ -	$ -	$ -	$ -	($ 577)	$ 100	($ 577)	$ 1,500,637	$ -	(Note 6、7)

Note 1: Investment methods are classified into the following three categories:

(1) Directly invest in a company in Mainland China.

(2) Through investing in an existing company in the third area, which then invested in the investee in Mainland China.

(3) Others

Note 2: Including investment income (loss) used to offset against sidestream and upstream transactions.

Note 3: The Company and Cheng Shin Rubber (Xiamen) Ind., Ltd. directly and indirectly holds 60% and 40% of the share ownership in Cheng Shin Petrel Tire (Xiamen) Co., Ltd., respectively.

Note 4: The Company and Cheng Shin Tire & Rubber (China) Co., Ltd. directly and indirectly holds 30% and 70% of share ownership in Cheng Shin Tire & Rubber (Chongqing) Co., Ltd., respectively.

Note 5: Cheng Shin Rubber (Xiamen) Ind., Ltd. and MAXXIS International (HK) Ltd. directly and indirectly holds 75% and 25% of share ownership in Cheng Shin Rubber (Zhangzhou) Ind Co., Ltd, respectively.

Note 6: Paid-in capital was converted at the exchange rate of NTD 32.25: USD 1 and NTD 4.617: RMB 1 prevailing on December 31, 2016.

Note 7: Investment income (loss) was recognised based on the financial statements that are audited and attested by international accounting firm which has cooperative relationship with accounting firm in R.O.C.

Note 8: Investment income (loss) was recognised based on the financial statements that are audited and attested by R.O.C. parent company's CPA.

CHENG SHIN RUBBER IND. CO., LTD. AND SUBSIDIARIES

Ceiling on investments in Mainland China

For the year ended December 31, 2016

Table 9

Expressed in thousands of NTD

(Except as otherwise indicated)

Company name	Accumulated amount of remittance from Taiwan to Mainland China as of December 31, 2016 (Note 1)	Investment amount approved by the Investment Commission of the Ministry of Economic Affairs (MOEA) (Note 1)	Ceiling on investments in Mainland China imposed by the Investment Commission of MOEA (Note 2)
Cheng Shin Rubber Ind. Co., Ltd.	$ 3,963,525	$ 21,701,025	$ -

Note 1: Accumulated amount of remittance from Taiwan to Mainland China as of December 31, 2016 was USD$122,900 thousand and the total investment amount approved by the Investment Commission, MOEA, was USD$672,900 thousand.

Note 2: According to 'Regulations Governing the Permission of Investment or Technical Cooperation in Mainland Area', the Company acquired the operations headquarters certification issued by the Industrial Development Bureau, Ministry of Economic Affairs, R.O.C. and thus, the investments amount in Mainland China is unlimited.

CHENG SHIN RUBBER IND. CO., LTD.
STATEMENT OF CASH AND CASH EQUIVALENTS
DECEMBER 31, 2016
(EXPRESSED IN THOUSANDS OF NEW TAIWAN DOLLARS)

Item	Description				Amount
Cash on hand and petty cash					$ 550
Bank deposits					
Check deposits					3,916
Demand deposits					2506,718
Foreign currency deposits	USD	62,832	thousand	Exchange rate 32.26	2,770,724
	EUR	13,350	thousand	Exchange rate 33.999	
	JPY	578,054	thousand	Exchange rate 0.275	
	THB	58	thousand	Exchange rate 0.901	
	GBP	2,740	thousand	Exchange rate 39.706	
	RMB	4,800	thousand	Exchange rate 4.617	
Time deposits	USD	82,000	thousand	Exchange rate 32.26	6,472,479
	Period	2016.10.03~2017.03.29			
	Interest rate	0.95% ~ 1.75%			
	RMB	829,000	thousand	Exchange rate 4.617	
	Period	2016.10.28~2017.03.06			
	Interest rate	3.28% ~ 5.38%			
					$ 11,754,387

CHENG SHIN RUBBER IND. CO., LTD.
STATEMENT OF ACCOUNTS RECEIVABLE, NET
DECEMBER 31, 2016
(EXPRESSED IN THOUSANDS OF NEW TAIWAN DOLLARS)

Name of Customer	Description	Amount	Remark
Nissan North America, Inc.		$ 224,135	
Maxxis International GMBH		112,024	
Ford Espana S.L		98,142	
Others		946,636	None of the balances of each remaining accounts is greater than 5% of this account balance.
		1,380,937	
Less: allowance for bad debts		(11,718)	
		$ 1,369,219	

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CHENG SHIN RUBBER IND. CO., LTD.
STATEMENT OF INVENTORIES
DECEMBER 31, 2016
(EXPRESSED IN THOUSANDS OF NEW TAIWAN DOLLARS)

Item	Description	Amount: Cost	Amount: Market price	Remark: Method for determining market price
Raw materials		$ 989,935	$ 1,000,554	Net realisable value
Work in process		133,306	129,220	Net realisable value
Finished goods		607,755	727,118	Net realisable value
		1,730,996	$ 1,856,962	
Less: Allowance for loss for obsolete and slow-moving inventories and market value decline		(13,904)		
		$ 1,717,092		

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CHENG SHIN RUBBER IND. CO., LTD.
MOVEMENT SUMMARY OF INVESTMENTS ACCOUNTED FOR UNDER EQUITY METHOD
YEAR ENDED DECEMBER 31, 2016
(EXPRESSED IN THOUSANDS OF NEW TAIWAN DOLLARS)

	As of January 1, 2016		Additions		Deductions			As of December 31, 2016		Market price or net in equity		Guarantee or pledge as collaterals
Investee	No. of shares	Amount	No. of shares	Amount	No. of shares	Amount		No. of shares	Amount	Unit price	Total	
MAXXIS International Co., Ltd.	35,005,000	$ 46,379,098	-	$ 212,326	-	($ 3,169,580)	Note 1	35,005,000	$ 43,421,844	$ 1,239	$ 43,421,844	None
CST Trading Ltd.	72,900,000	26,467,271	-	3,613,455	-	(3,707,687)	Note 1	72,900,000	26,373,039	362	26,373,039	None
MAXXIS Trading Ltd.	237,811,720	10,219,988	-	1,344,296	-	(685,970)	Note 1	237,811,720	10,878,314	46	10,878,314	None
PT MAXXIS International Indonesia	79,997,000	2,454,163	-	-	-	(106,802)		79,997,000	2,347,361	40	2,347,361	None
Cheng Shin Rubber USA, Inc.	1,800,000	2,415,339	-	325,978	-	(161,005)	Note 1	1,800,000	2,580,312	1,434	2,580,312	None
MAXXIS Rubber India Private Limited	369,997,000	1,840,061	-	-	-	(144,705)		369,997,000	1,695,356	5	1,695,356	None
Cheng Shin Rubber Canada, Inc.	1,000,000	436,385	-	220,224	-	(32,201)	Note 1	1,000,000	624,408	624	624,408	None
NEW PACIFIC INDUSTRY COMPANY LIMITED	4,999,960	168,508	-	18,759	-	(22,500)	Note 1	4,999,960	164,767	33	164,767	None
Ciao Shin Co., Ltd.	9,700,000	166,398	-	9,767	-	-		9,700,000	176,165	18	176,165	None
MAXXIS Tech Center Europe B.V.	1,000,000	53,961	-	-	-	(491)		1,000,000	53,470	53	53,470	None
Cheng Shin Holland B.V.	9,708	13,161	-	2,037	-	(2,652)	Note 1	9,708	12,546	1,292	12,546	None
MAXXIS (Taiwan) Trading Co., Ltd.	-	-	10,000,000	298,139	-	-		10,000,000	298	298,139	298,139	None
		$ 90,614,333		$ 6,044,981		($ 8,033,593)			$ 88,625,721			

Note 1: The deduction amount is the amount of cash dividends distributed for the year ended December 31, 2016

CHENG SHIN RUBBER IND. CO., LTD.
STATEMENT OF LONG-TERM BORROWINGS
DECEMBER 31, 2016
(EXPRESSED IN THOUSANDS OF NEW TAIWAN DOLLARS)

Creditor	Amount of borrowings	Contract period	Interest rate	Pledges or collaterals	Remark
CHANG HWA COMMERCIAL BANK, LTD.	$ 3,540,000	2011.09.09~ 2021.10.06	Note	None	
FIRST COMMERCIAL BANK CO., LTD.	3,234,000	2011.04.29~ 2021.10.06	Note	None	
HUA NAN COMMERCIAL BANK LTD.	2,275,000	2011.09.08~ 2019.01.12	Note	None	
Taiwan Cooperative Bank CO., LTD.	1,083,333	2013.12.20~ 2020.05.28	Note	None	
Mizuho Bank, LTD.	1,000,000	2014.08.28~ 2017.08.28	Note	None	
HSBC Bank (Taiwan) Limited	1,000,000	2015.08.27~ 2017.08.25	Note	None	
The Shanghai Commercial & Savings Bank, LTD.	500,000	2014.10.08~ 2020.10.08	Note	None	
Bangkok Bank Public Company Limited	500,000	2015.08.20~ 2020.08.20	Note	None	
China Development Industrial Bank	480,000	2014.09.30~ 2017.09.30	Note	None	
MEGA INTERNATIONAL COMMERCIAL BANK CO., LTD.	416,665	2014.05.15~ 2020.05.15	Note	None	
	14,028,998				
Less: maturity at one year	(2,480,000)				
	$ 11,548,998				

Note: For the year ended December 31, 2016, interest rate of borrowing ranged between 0.83%~1.38%.

CHENG SHIN RUBBER IND. CO., LTD.
STATEMENT OF SALES REVENUE, NET
YEAR ENDED DECEMBER 31, 2016
(EXPRESSED IN THOUSANDS OF NEW TAIWAN DOLLARS)

Item	Quantity (in thousands of tires)	Amount	Remark
Radial cover tires for passenger cars	7,899	$ 10,661,362	
Cover tires for motorcycles	6,086	3,775,579	
Cover tires for automobiles	2,767	3,019,957	
Cover tires for bicycles	6,990	1,662,691	
Cover tires for industrial use	145	426,900	
Tubes for bicycles	8,414	408,919	
Cover tires for rickshaw	599	162,412	
Others		616,496	None of the balances of each remaining accounts is greater than NT$100 million.
		20,734,316	
Less: sales returns and discounts		(96,809)	
		$ 20,637,507	

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CHENG SHIN RUBBER IND. CO., LTD.
STATEMENT OF COST OF GOODS SOLD
YEAR ENDED DECEMBER 31, 2016
(EXPRESSED IN THOUSANDS OF NEW TAIWAN DOLLARS)

Item	Amount
Direct material	
Opening balance of materials	$ 1,193,571
Add: Purchases in the period	7,629,947
Less: Differences in raw material cost	3,016
Materials sold	225,377
transferred to expenses	99,323
Ending balance of raw materials	989,935
Materials used during the period	7,505,867
Direct labour	1,501,148
Manufacturing overhead	4,435,986
Manufacturing costs	13,443,001
Add: Opening balance of work in process	116,765
Less: Work in process sold	62,603
Transferred to expenses	937
Loss on physical inventory for work in process	17,901
Ending balance of work in progress	133,306
Cost of finished goods	13,345,019
Add: Opening balance of finished goods	781,454
Finished goods purchased	192,404
Less: Transferred to manufacturing expenses	139,488
Ending balance of finished goods	607,755
Cost of manufacturing and sales of goods for the period	13,571,634
Cost of materials sold	225,377
Cost of work in process sold	62,603
Cost of merchandise sold	31,083
Cost of packaged materials sold	27
Cost of production and sales of goods	13,890,724
Add: Loss on physical inventory	17,901
Less: Revenue from sale of scraps	(19,314)
Total cost of sales	$ 13,889,311

CHENG SHIN RUBBER IND. CO., LTD.
SUMMARY OF MANUFACTURING OVERHEAD
YEAR ENDED DECEMBER 31, 2016
(EXPRESSED IN THOUSANDS OF NEW TAIWAN DOLLARS)

Item	Amount	Remark
Depreciation	$ 1,470,068	
Wages and salaries	910,863	
Utilities expense	577,322	
Repairs and maintenance expense	375,603	
Fuel expense	335,152	
Other expenses	766,978	None of the balances of each remaining accounts is greater than 5% of this account balance.
	$ 4,435,986	

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CHENG SHIN RUBBER IND. CO., LTD.
STATEMENT OF SELLING EXPENSE
YEAR ENDED DECEMBER 31, 2016
(EXPRESSED IN THOUSANDS OF NEW TAIWAN DOLLARS)

Item	Amount	Remark
Taxes	$ 572,366	
Expense for brand perception	565,972	
Wages and salaries	319,968	
Advertisement expense	206,271	
Freight	128,331	
Other expenses	436,900	None of the balances of each remaining accounts is greater than 5% of this account balance.
	$ 2,229,808	

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CHENG SHIN RUBBER IND. CO., LTD.
STATEMENT OF ADMINISTRATIVE EXPENSES
YEAR ENDED DECEMBER 31, 2016
(EXPRESSED IN THOUSANDS OF NEW TAIWAN DOLLARS)

Item	Amount	Remark
Wages and salaries	$ 439,449	
Professional expenses	105,831	
Repairs and maintenance expense	74,192	
Other expenses	132,527	None of the balances of each remaining accounts is greater than 5% of this account balance.
	$ 751,999	

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6.6 Facts regarding the Company and its affiliated enterprises which have developed hard-up financial standing in recent year and the period as of the Annual Report date: Nil

VII. Analysis for Financial Condition and Operating Results and Risk Management

7.1 Comparative analysis of financial condition

in NT$1000

Year / Item	2016	2015	Difference	
			Amount	%
Current assets	58,153,934	52,347,130	5,806,804	11.09%
Real property, plants, and equipment	103,156,284	106,476,804	-3,320,520	-3.12%
Intangible assets	0	0	0	0
Other assets	6,854,508	7,134,288	-279,780	-3.92%
Total assets	168,164,726	165,958,222	2,206,504	1.33%
Current liabilities	39,786,698	37,390,371	2,396,327	6.41%
Non-current liabilities	40,108,640	38,615,267	1,493,373	3.87%
Total liabilities	79,895,338	76,005,638	3,889,700	5.12%
Equity	32,414,155	32,414,155	0	0
Capital reserve	52,576	52,576	0	0
Retained earnings	58,334,342	54,875,387	3,458,955	6.30%
Other equity	(3,307,822)	1,819,019	-5,126,841	-281.85%
Treasury stock	-	-	-	-
Non-controlling interest	776,137	791,447	-15,310	-1.93%
Total equity	88,269,388	89,952,584	-1,683,196	-1.87%
Analysis if difference reaches 20% or more and amount reaches NT$10 million: Decrease in other equity: due to an increase in conversion gains from foreign currencies.				

7.2 Analysis of operating results

(1) Analysis of financial performance

in NT$1000

Year / Item	2016	2015	Amount of increase (decrease)	Change (%)
Operating revenue	117,387,519	116,726,293	661,226	0.57%
Operating costs	(81,098,410)	(81,168,501)	-70,091	-0.09%
Gross profit	36,289,109	35,557,792	731,317	2.06%
Operating expenses	(17,617,527)	(16,937,412)	680,115	4.02%
Operating profit	18,671,582	18,620,380	51,202	0.27%
Revenue and expense outside operation	(776,596)	(1,144,177)	-367,581	-32.13%
Income before income tax	17,894,986	17,476,203	418,783	2.40%
Income tax expense	(4,548,505)	(4,636,989)	-88,484	-1.91%
Net profit	13,346,481	12,839,214	507,267	0.04%
Other consolidated net profit (loss) after tax	(5,305,431)	(1,719,409)	3,586,022	208.56%
Consolidated profit	8,041,050	11,119,805	-3,078,755	-27.69%

Analysis if difference reaches 20% or more and amount reaches NT$10 million:

(1) Reduction in revenue and expense outside operation: due to a net decrease in foreign exchange losses.

(2) Increase in other consolidated net profit (loss) after tax: due to an increase in conversion gains from converting financial statements for overseas subsidiaries.

(3) Reduction in consolidated profit: due to an decrease in other consolidated net profit (loss) after tax.

(2) Analysis of change to gross profit: Increase to gross operating income is largely due to a drop in raw materials and fuel prices, causing the cost of goods sold to drop.

(3) The Company's 2016 revenue was 0.57% higher than 2015, with no material changes to core business scope.

Action Plan: Progress made in plant construction in India and Indonesia will help the group to expand its production capacity in response to a gradually recovering global market demand in the hopes of expanding our market share.

7.3 Cash flow

(1) Liquidity analysis for the most recent two years

Item \ Year	2016	2015	Percentage of change
Cash Flow Ratio (%)	68.53	73.38	-6.62%
Cash Flow Adequacy Ratio (%)	117.44	89.80	30.78%
Cash Reinvestment Ratio (%)	8.54	8.80	-3.01%
Analysis of percentage of change: (if fluctuation reaches 20% or more) Cash flow adequacy ratio increased primarily due to increase in net cash provided by operating activities within the last five years.			

(2) Cash flow analysis for the coming year

Cash balance amount at the beginning of the year (1)	Net cash provided by operating activities (2)	Projected annual cash outflow (3)	Projected cash balance (1)+(2)-(3)	Measures for managing cash deficit	
				Investment plan	Financing plan
$28,893,546	$23,360,383	$24,670,696	$27,583,233	-	-

1. Change in projected cash flow for the next year:
   Operations: As the group's core business is experiencing steady profitability, not much fluctuation is expected for net cash flow provided by operating activities.
   Investment activities: The group continues to invest in overseas subsidiaries and to upgrade obsolete equipment. Net cash outflow for investment activities is projected to continue increasing.
   Financing: Primarily payment of cash dividends and repaying loans and corporate bonds.
2. Measures for managing cash deficit and liquidity analysis: N/A.

7.4 Impact of major capital expenditure over the latest year on financial operations

(1) Status of major capital expenditure and source of funds

in NT$1000

Plan	Actual or projected source of funds	Actual or projected completion date	Funds required Total amount	Actual or projected capital expenditure status	
				2015	2016
New purchase and upgrade of equipment	Bank loans, corporate bonds, and company fund	2016	$14,044,132	$14,044,132	-
New purchase and upgrade of equipment	Bank loans and company fund	2017	$14,559,926	-	$14,559,926

(2) Projected benefits:

1) Primarily a potential expansion of daily production capacity for motorcycle tires and inner tubes.

2) Analysis of other projected benefits:

Completion of new plants overseas, such as in Indonesia and India and expansion, and upgrade of equipment in existing plants can improve the group's daily production capacity and raise global market share for tires.

7.5 Reinvestment policy over the latest year and major reasons for profit or loss; plan for improvement and investment plan for the coming year:

(1) The Company's reinvestment policy considers long-term investment as its priority. Subsidiaries with production functions are directly or indirectly 100% owned to strengthen roots in the local market. Subsidiaries with marketing functions are likewise directly invested or jointly incorporated with our strategic partners to strengthen local sales networks. With the exception of plants in India and Indonesia, which are still under construction, our other key subsidiaries have been profitable over the past year.

(2) Investment plan for the upcoming year: Our key investment plan focuses on the plants in Indonesia and India, which are expected to begin production in the second and third quarters of 2017. The Xiamen Cheng Shin Jimei plant, Cheng Shin Changzhou and Cheng Shin Chongqing Phase 2 production line expansions are also underway.

7.6 Analysis and evaluation of risk factors

(1) Impact of interest rate and exchange rate fluctuation and inflation on the Company's profitability over the latest year and as of the date of the annual report; future action plan:

Impact on:

1) Interest rate fluctuation

In 2016, the U.S. Federal Reserve raised interest rate by 0.25%. Given that the 2017 monetary policy of the Federal Open Market Committee took an accommodative stance, interest rate is projected to rise at a moderate pace. In 2016, Taiwan's Central Bank has lowered rates four times, while European Central Bank maintained its bond purchasing policy. The low interest rate environment facilitates the Company’s financing activities, minimizes interest payment and makes it easy for the Company to issue corporate bonds at a fixed interest rate to meet long-term capital needs. We will continually pay close attention to any signs of interest rate hikes, and take necessary hedging actions.

2) Exchange rate fluctuation

As a group operating internationally, the financial reports of our overseas subsidiaries are denominated in local currencies. As a result, the group is exposed to exchange rate risks arising from various types of currencies. The group consistently monitors exchange rate fluctuations. Any shifts in political or economic environments in the invested countries may result in the fluctuation in the exchange rate between the reference currency of those subsidiaries and the New Taiwan Dollar.

The group's marketing and procurement activities are mostly done in RMB, U.S. Dollars, New Taiwan Dollars and Thai Baht. Given their relative exchange rate ratios, exchange rate fluctuation risk is hedged. Exchange rate risk incurred from overseas investment derives mostly from RMB, US Dollar and Thai Baht. Debt positions acquired from facility expansion are mostly in US Dollars, RMB, Japanese Yen and Thai Baht. In addition, there are exchange conversion gains and losses denominated in the Indonesian Rupiah and Indian Rupees due to the construction of plants in Indonesia and India.

3) Inflation

In light of the uncertainty in global economic forecast, the Company is not in a position to predict for inflation or contraction. Since the tire products of the Company are consumer products whose raw material prices and market demands are moderately or highly volatile to inflation or contraction, the global economic environment will have an impact on the Company’s sales. Nonetheless, no material adverse impact is expected for the overall operation.

(2) Policies and Future Action Plans for High-risk, High-Leveraged Investments, Fund Lending to Third Parties, Endorsements and Guarantees, Transactions in Financial Derivatives, Main Reasons for Profit (Loss) over the latest year and as of the date of the annual report:

The Group has adopted a work procedure for "Endorsements, Guarantees and Capital Loans to Third Parties" as well as "Procedure for Asset Acquisition and Disposal," pursuant to which relevant transactions are handled. The Group is not engaged in any high-risk or highly leveraged investment. All derivative transactions are for hedging purposes to mitigate the risks of exchange rate and interest rate fluctuation.

(3) Budget for future R&D plan and projected investment in R&D as at the date of the annual report:

1) R&D Plan

No	Recent R&D plans	Progress on current R&D plans	Projected date for completion and commercial production
1	DH TLR structure development	1. New tire bead steel wire material R&D 2. Structure R&D	2017.12.31
2.	TBR product technology project R&D	1. Formula R&D 2. New steel wire material R&D 3. Structure R&D	2017.12.31
3.	PCR to LRR product technology R&D	1. LRR formula R&D 2. New materials R&D 3. Structure R&D 4. Profile/pattern R&D	2017.12.31

2) Projected investment in R&D

The R&D investment in 2017 is projected to be about 4% of the annual revenue to maintain the Company’s R&D competitiveness.

(4) Impact of changes in domestic and foreign policy and laws on the Company's financial operations over the latest year and as at the date of the annual report; action plans:

The Company's management is always monitoring any public policy and law that might have an impact on the Company's business and operations. The change in key domestic and international policy and law this year did not have any major impact on the Company's financial operations. In the future, the Company will keep itself timely updated on relevant information and develop timely and necessary responses to meet the Company's operational needs.

(5) Impact of changes in technology and industry environment on the Company's financial operations over the latest year and as of the date of the annual report; action plans:

Over the latest year and as of the date of the annual report, there is no change in technology and industry environment that has an impact on the Company’s financial operations.

(6) Impact of changes to corporate image on corporate crisis management over the latest year and as of the date of the annual report; action plans:

The Company has a good corporate image. There is no major change that would have an impact on the Company's crisis management over the latest year and as at the date of the annual report.

(7) Projected benefits and potential risks associated with mergers and acquisitions activities over the latest year and as at the date of the annual report: None.

(8) Projected benefits and potential risks associated with facility expansion over the latest year and as at the date of the annual report:

Our key investment plan focuses on the plants in Indonesia and India which are expected to begin production in the second and third quarters of 2017. The Xiamen Cheng Shin Jimei plant, Cheng Shin Changzhou and Cheng Shin Chongqing Phase 2 production line expansions are also underway.

As at the date of the annual report, we are proactively developing products and have made progress in line with the initial plans.

Risks associated with expansion of production comes from drastic fluctuations in market demands. The Company's management has been paying close attention to future market demands. Benefits from the current expansion of capacity are still in line with the Company’s expectations.

(9) Risks associated with concentration of supply and sales over the latest year and as of the date of the annual report: None.

(10) Impact of transfer of significant number of shares by directors, supervisors and/or major shareholders holding 10% or more of the total outstanding shares, risks associated and action plans: None.

(11) Impact of change in ownership, risks associated and action plans: None.

(12) Disclosure of issues in dispute, monetary amount of claims, filing date, parties involved, and status of any litigation or other legal proceedings within the latest fiscal year and as of the date of the annual report where the Company and/or any of its directors, supervisors, president, person in charge, shareholders with 10% or more share ownership, or affiliates are involved in a pending litigation, legal proceedings or administrative proceedings, or a final judgment or ruling which may have a material adverse effect on the Company's shareholder equity or price of securities: None.

(13) Other major risks: None.

7.7 Other material matters: None.

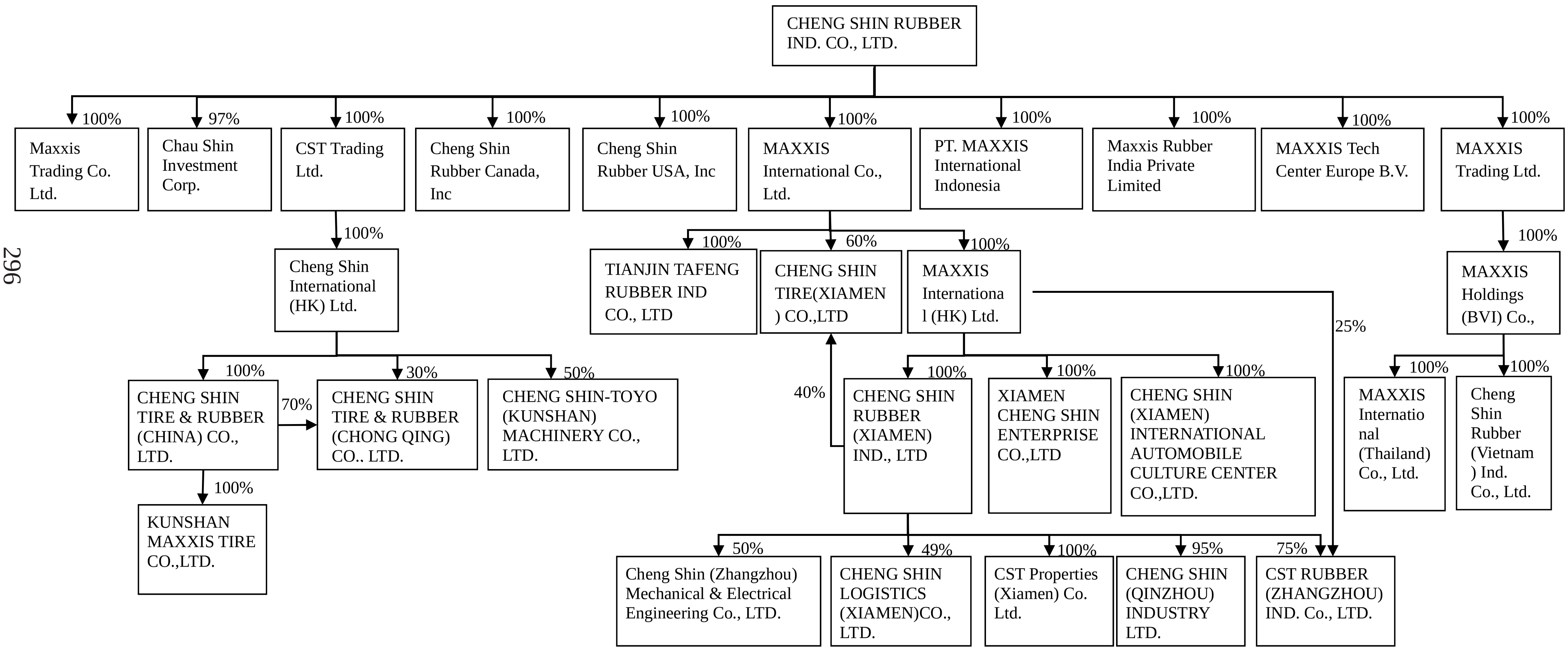
VIII. Special Notes

8.1 Information on Affiliated Companies

(1) Consolidated Business Report of Affiliated Companies

1) Status of affiliates

➢ Organizational chart of affiliates



- In accordance with Article 369-3 of the Company Act, the Company and those listed below are presumed to have a controlling and subordinate relationship but do not meet such definition under Article 369-2 of the Company Act. Therefore, they are not included in the consolidated financial statement. The information of their shareholders and directors are as follows: None.
- Pursuant to Article 369-2(2) of the Company Act, subsidiaries whose personnel, finance or business are controlled directly or indirectly by the Company: None.

2) Basic information on affiliates

Enterprise name	Date established	Address	Paid-in capital (note)	Major business or items produced
Cheng Shin Rubber (Xiamen) Ind. Ltd.	1989.05.26	No. 15, Xibin Rd., Xinglin Zhen, Jimei District, Xiamen City	US$175,000,000	Produces and sells various types of automotive tires
Chau Shin Investment Corp.	1990.04.14	No. 27-1, Meigang Rd., Huangxi Village, Dacun Township, Changhua County	NT$100,000,000	Invests in various businesses
Cheng Shin Rubber USA, Inc	1990.05.11	545 OLD PEACHTREE ROAD, SUWANEE,GA30024 USA	US$18,000,000	Import-export trade in tires
Cheng Shin Logistics (Xiamen) Co. Ltd.	1993.03.25	No. 11, Xinshun Rd., Haicang District, Xiamen	RMB$14,411,765	International containerized shipping business
CST Trading Ltd.	1993.05.19	P.O. BOX 116 ROAD TOWN TORTOLA BRITISH VIRGIN ISLANDS	US$72,900,000	General trade and investment
Chong Shin Tire & Rubber (China) Co. Ltd	1993.07.27	No. 8, Hefeng Rd., Lujia Township, Kunshan City	US$225,000,000	Produces and sells various types of automotive tires
Tianjin Tafeng Rubber Ind Co., Ltd.	1994.08.15	No. 1, Shuanghai Ave, Beichen Economic and Technology R&D Zone, Tianjin	US$18,000,000	Produces and sells various types of automotive tires

Cheng Shin-Toyo (Kunshan) Machinery Co., Ltd.	1996.03.20	Yangdong Rd., Kunshan R&D Zone, Jiangsu Province	US$8,500,000	Produces and sells tire molds for cars and trucks
MAXXIS International Co., Ltd.	1997.01.30	P.O. BOX 31106 SMB, GRAND CAYMAN, CAYMAN ISLAND, BRITISH WEST INDIES.	US$35,050,000	General trade and investment
Cheng Shin (Qinzhou) Industry Ltd.	1998.09.23	No. 26, Jiangang Rd., Legou Business District, Qinzhougang Economic Development Zone, Guangxi	RMB$35,000,000	Stevedore and Warehousing
Cheng Shin Rubber Canada, Inc	1999.01.31	400 CHRYSLER DRIVE, UNIT C BRAMPTON,ONTARIO, L6S 5Z5 CANADA	CAD$ 1,518,700	Import-export trade in tires
Cheng Shin Tire (Xiamen) Co., Ltd	2001.12.28	No. 15, Xiyuan Rd., Haicang District, Ximen	US$130,000,000	Produces and sells various types of automotive tires
MAXXIS Trading Ltd.	2002.08.26	P.O. BOX 957,OFFSHORE INCORPORATION CENTRE,ROAD TOWN, TORTOLA, BRITISH VIRGIN ISLANDS	US$237,811,720	General trade and investment
MAXXIS Holdings (BVI) Co., Ltd.	2002.08.27	P.O. BOX 957,OFFSHORE INCORPORATION CENTRE,ROAD TOWN, TORTOLA, BRITISH VIRGIN ISLANDS	US$237,811,720	General trade and investment
MAXXIS International (Thailand) Co., Ltd.	2002.11.05	300/1 MOO 1, TAMBOL TASITH, AMPHUR PLUAKDAENG, RAONG PROVINCE 21140, THAILAND	THB$6,500,000,000	Produces and sells various types of automotive tires
XiaMen Cheng Shin Enterprise Co., Ltd.	2004.01.11	No. 15, Xinshun Rd., Haicang District, Xiamen	US$45,000,000	Produces and sells various types of automotive tires
MAXXIS Tech Center Europe B.V.	2005.04.01	Weverstraat 5, 5405 BM-Uden, The Netherlands	EUR$ 1,000,000	Tire testing

Cheng Shin Rubber (Vietnam) Ind. Co., Ltd.	2005.12.08	C'ty TNHH Cong Nghiep Cao Su Chinh Tan Vietnam Nhon Trach 3 Industrial Zone, Nhon Trach county, Dong Nai Province, Vietnam.	US$62,000,000	Produces and sells various types of automotive tires
MAXXIS International (HK) Ltd.	2007.12.20	Room 2302-6, Yingjun Center, No. 23 Gangwan Avenue, Wanchai, Hong Kong	US$226,801,983	General trade and investment
Cheng Shin International (HK) Ltd.	2007.12.20	Room 2302-6, Yingjun Center, No. 23 Gangwan Avenue, Wanchai, Hong Kong	US$246,767,840	General trade and investment
Cheng Shin (Xiamen) International Automobile Cultural Center Co. Ltd.	2009.07.17	Room 101, No. 58, Shuilishe, Kengnei Vil., Guankou Township, Jimei District, Xiamen	US$20,000,000	Automobile assembly and product R&D, testing and related product display
CST Rubber (Zhangzhou) Ind. Co., Ltd.	2010.03.22	Beida Avenue, Nantaiwu High Technology Industry Zone, Gangwei Township, Longhai City	RMB$950,000,000	Produces and sells various types of automotive tires
Cheng Shin Tire & Rubber (Chong Qing) Co., Ltd.	2010.05.17	No. 27, Jixin Ave., Changshou Economic and Technology Development Zone, Chongqing City	US$100,000,000	Produces and sells various types of vehicle tires, rubber products, molds and accessories.
Cheng Shin (Zhangzhou) Mechanical & Electrical Engineering Co., Ltd.	2010.12.02	Nantaiwu High and New Technology Industry Zone, Longwei Township, Longhai City	RMB20,000,000	Mechanical and electric equipment, electronic equipment, general machinery and equipment, rubber mold development and

				manufacturing.
CST Properties (Xiamen) Co., Ltd.	2013.08.21	Room 201, No. 16 Office Building, 15 Xibin Rd., Jimei District, Xiamen	RMB240,000,000	Employee dormitory construction and sales
PT. MAXXIS International Indonesia	2014.08.27	Kawasan Greenland International Industrial Center (GIIC) Blok CG No. 01, Kota Deltamas, Desa Pasirranji, Kec.Cikarang Pusat, Kabupaten Bekasi	US$79,997,000	Produces and sells tires and inner tubes
Maxxis Rubber India Private Limited	2015.03.26	A/1, 2nd Floor, Safal Profitaire, Corporate Road, Prahladnagar, Ahmedabad-380015, Gujarat, INDIA	US$59,999,700	Motorcycle tires and inner tube production and sales
Kunshan Maxxis Tire Co., Ltd.	2015.09.28	No. 8, Hefeng Rd., Lujia Township, Kunshan City	RMB5,000,000	Sales of various vehicle tires, rubber products, molds and accessories
Maxxis Trading Company Limited	2016.01.13	No. 180, Juguang Rd., Sanyi Vil., Yuanlin City, Changhua County	NT$100,000,000	Sales of various vehicle tires, rubber products, and accessories

Note: Applicable exchange rates are as of the date of the reports of the affiliates (US$1:NT$32.25;EUR$1:NT$333.9;CAD$1:NT$23.905;RMB$1:NT$4.617;THB$1:NT$0.905;VND$1:NT$0.00129;IDR$1:NT$0.00243;INR$1:NT$0.4748) for conversions.

3) Information on shareholders of controlling and subordinate companies: There are no such subordinate companies.

4) Industry scope of the group affiliates

- Businesses engaged by the Company and its affiliates include tires, general trading and investment, international trade, machinery, R&D of automotive accessories, testing and exhibition of related products, human resource dispatch, etc.
- Cooperation between the Company and affiliates:

Cooperation Matters	Affiliates
Manufacturing and sales of tire products	The Company, Cheng Shin Rubber (Xiamen) Ind. Ltd. ,Cheng Shin Tire & Rubber (China) Co., Ltd. , Tianjin Tafeng Rubber Ind., Co., Ltd. , Cheng Shin Tire (Xiamen) Co., Ltd. , XiaMen Cheng Shin Enterprise Co., Ltd. , MAXXIS International (Thailand) Co., Ltd. , Cheng Shin Rubber (Vietnam) Ind. Co., Ltd. , Cheng Shin Tire & Rubber (Chong Qing) Co., Ltd. , CST Rubber (Zhangzhou) Ind. Co., Ltd. , PT. MAXXIS International Indonesia, Maxxis Rubber India Private Limited
Marketing of Tire Products	Cheng Shin Rubber USA, Inc., Cheng Shin Rubber Canada, Inc., Kunshan Maxxis Tire Co., Ltd., Maxxis Trading Company Limited
Production of Molds and Equipment	Cheng Shin-Toyo (Kunshan) Machinery Co., Ltd.
Tire Testing Center	MAXXIS Tech Center Europe B.V.
R&D Centers	The Company, Cheng Shin Tire & Rubber (China) Co., Ltd. , Cheng Shin Rubber USA Inc. ,Cheng Shin Rubber (Xiamen) Ind. Ltd.
Automotive accessory development and testing, etc.	Cheng Shin (Xiamen) International Automobile Culture Center Co., Ltd.
International packaging and shipping business	Cheng Shin Logistics (Xiamen) Co., Ltd.
Manufacturing and marketing of equipment	Cheng Shin (Zhangzhou) Mechanical & Electrical Engineering Co., Ltd.

5) Directors, Supervisors and General Managers of affiliated enterprises:

Enterprise name	Position	Full name or Representative	Share Holdings	
			Number of shares	Percent holdings (%)
Cheng Shin Rubber (Xiamen) Ind. Ltd.	Director	Cheng Shin Rubber Industry Co. Ltd. Representatives: Chen, Shiu-Hsiung; Lo, Tsai-Jen; Lo, Min-ling; Wu, Hsuan-Miao	-	100%
Tianjin Tafeng Rubber Ind Co., Ltd.	Director	Cheng Shin Rubber Industry Co. Ltd. Representatives: Chen, Shiu-Hsiung; Lo, Tsai-Jen; Lo, Min-ling	-	100%
MAXXIS International Co., Ltd.	Director	Cheng Shin Rubber Industry Co. Ltd. Representatives: Lo, Tsai-Jen; Chiu Li-Ching	35,050,000	100%
CST Trading Ltd.	Director	Cheng Shin Rubber Industry Co. Ltd. Representative: Lo, Tsai-Jen	72,900,000	100%
Cheng Shin Rubber USA, Inc	Director	Cheng Shin Rubber Industry Co. Ltd. Representatives: Lo, Tsai-Jen; Chiu, Li-Ching; Lee Hung-Wen	1,800,000	100%
Cheng Shin Rubber Canada, Inc	Director	Cheng Shin Rubber Industry Co. Ltd. Representatives: Lo, Tsai-Jen; Chiu, Li-Ching; Zheng, Ya-Wei	1,000,000	100%
Chau Shin Investment Corp.	Director	Cheng Shin Rubber Industry Co. Ltd. Representative: Chen, Yun-Hwa	9,700,000	97%
Cheng Shin (Qinzhou) Industry Ltd.	Representative	Xiamen Cheng Shin Rubber Industry Co. Ltd. Legal representative: Chen, Shiu-Hsiung	-	95%
Cheng Shin Tire & Rubber (China) Co., Ltd.	Director	Cheng Shin Rubber Industry Co. Ltd. Representatives: Lo, Tsai-Jen; Chen, Shiu-Hsiung; Chiu, Li-Ching; Lee, Chin-Chang	-	100%

Enterprise name	Position	Full name or Representative	Share Holdings	
			Number of shares	Percent holdings (%)
Cheng Shin-Toyo (Kunshan) Machinery Co., Ltd.	Director	Cheng Shin Rubber Industry Co. Ltd. Representatives: Chen, Shiu-Hsiung; Lo, Tsai-Jen; Lee, Chin-Chang	-	50%
Cheng Shin Tire (Xiamen) Co., Ltd.	Director	Cheng Shin Rubber Industry Co. Ltd. Representatives: Chen, Shiu-Hsiung; Lo, Tsai-Jen; Lo, Min-ling Cheng Shin Rubber Industry Co. Ltd. of Xiamen Representative: Hsu, Chih-Ming	-	60% 40%
XiaMen Cheng Shin Enterprise Co., Ltd.	Director	Cheng Shin Rubber Industry Co. Ltd. Representatives: Chen, Shiu-Hsiung; Lo, Tsai-Jen; Lo, Min-ling	-	100%
MAXXIS Trading Ltd.	Director	Cheng Shin Rubber Industry Co. Ltd. Representative: Lo, Tsai-Jen	237,811,720	100%
MAXXIS Holdings(BVI)Co., Ltd.	Director	Cheng Shin Rubber Industry Co. Ltd. Representative: Lo, Tsai-Jen	237,811,720	100%
MAXXIS International (Thailand) Co., Ltd.	Director	MAXXIS Holdings (BVI) Co., Ltd. Representative: Lo, Tsai-Jen	65,000,000	100%
Cheng Shin Rubber (Vietnam)Ind.Co., Ltd.	Director	MAXXIS Holdings (BVI) Co., Ltd. Representative: Lo, Tsai-Jen	62,000,000	100%
MAXXIS Tech Center Europe B.V.	Director	Cheng Shin Rubber Industry Co. Ltd. Representatives: Lo, Tsai-Jen; Lin, Chin-Chuan	1,000,000	100%
MAXXIS International (HK) Ltd.	Director	MAXXIS International Co., Ltd. Representatives: Chen, Shiu-Hsiung; Lo, Tsai-Jen	226,801,983	100%
Cheng Shin International (HK) Ltd.	Director	CST Trading Ltd. Representatives: Lo, Tsai-Jen	246,767,840	100%

Enterprise name	Position	Full name or Representative	Share Holdings	
			Number of shares	Percent holdings (%)
PT. MAXXIS International Indonesia	Representative	Cheng Shin Rubber Industry Co. Ltd. Representative: Lo, Tsai-Jen	79,997,000	100%
Maxxis Rubber India Private Limited	Representative	Cheng Shin Rubber Industry Co. Ltd. Representative: Lo, Tsai-Jen	59,999,700	100%
Chen Shin (Xiamen) International Automobile Culture Center Co., Ltd.	Director	Cheng Shin Rubber Industry Co. Ltd. Representatives: Chen, Shiu-Hsiung; Lo, Tsai-Jen; Lo, Min-ling	-	100%
Cheng Shin Logistics (Xiamen) Co., Ltd.	Representative	Cheng Shin Rubber (Xiamen) Ind., Ltd. Legal representative: Chen, Shiu-Hsiung	-	49%
Cheng Shin Tire & Rubber (Chong Qing) Co., Ltd.	Director	Cheng Shin Rubber Industry Co. Ltd. Representatives: Lo, Tsai-Jen; Chen, Shiu-Hsiung; Chiu, Li-Ching; Lee, Chin-Chang	-	100%
Kunshan Maxxis Tire Co., Ltd.	Representative	Cheng Shin Tire & Rubber (China) Co., Ltd. Legal Representative: Lee, Chin-Chang	-	100%
Cheng Shin (Zhangzhou) Mechanical & Electrical Engineering Co., Ltd.	Representative	Cheng Shin Rubber (Xiamen) Ind., Ltd. Legal representative: Chen, Shiu-Hsiung	-	50%
CST Properties (Xiamen) Co., Ltd.	Representative	Cheng Shin Rubber (Xiamen) Ind., Ltd. Legal representative: Chen, Shiu-Hsiung	-	100%
Cst Rubber (Zhangzhou) Ind. Co., Ltd.	Representative	Cheng Shin Rubber (Xiamen) Ind., Ltd. Legal representative: Chen, Shiu-Hsiung	-	100%
Maxxis Trading Company Limited	Director	Cheng Shin Rubber Industry Co. Ltd. Representatives: Lo Tsai-Jen; Chen, Shiu-Hsiung; Liao, Cheng-Yao	10,000,000	100%

(2) Financial status and operating performance of affiliates:

in NT$1000

Enterprise name	Amount of capital (Note 2)	Total value of assets	Total liabilities	Net value	Revenue	Operating profit (Loss)	Profit/loss (After tax)	Earnings per share (NT$) (After tax)
MAXXIS International Co., Ltd.	1,017,852	43,421,952	108	43,421,844	-	-269	3,810,311	108.71
CST Trading Ltd.	2,117,016	26,373,147	108	26,373,039	-	-257	5,717,105	78.42
Cheng Shin Rubber USA, Inc	580,500	3,828,110	1,247,798	2,580,312	5,990,423	526,609	336,706	187.06
Cheng Shin Rubber Canada, Inc	36,305	1,112,119	487,711	624,408	2,550,385	268,830	194,837	194.84
Chau Shin Investment Corp.	100,000	176,677	512	176,165	-	-1,098	2,103	0.21
Cheng Shin (Qinzhou) Industry Ltd.	207,765	156,604	5,236	151,368	9,299	-15,099	-14,301	-
Cheng Shin Tire & Rubber (China) Co., Ltd.	8,257,361	33,132,431	8,887,313	2,424,5118	25,412,202	4,673,336	5,110,652	-
Cheng Shin-Toyo (Kunshan) Manchinery Co., Ltd.	313,619	441,623	85,485	356,138	486,094	177,414	151,918	-
Cheng Shin Rubber (Xiamen) Ind. Ltd.	5,759,726	33,864,773	9,692,929	24,171,844	20,524,822	2,217,187	2,690,831	-
Tianjin Tafeng Rubber Ind Co., Ltd.	682,214	2,196,983	343,243	1,853,740	2,486,431	30,827	22,512	-
Cheng Shin Tire (Xiamen) Co., Ltd.	4,456,147	14,107,774	1,488,636	12,619,138	11,533,430	191,207	160,482	-
MAXXIS Trading Ltd.	6,906,052	10,878,314	-	10,878,314	-	-	1,649,350	6.94

MAXXIS Holdings (BVI) Co., Ltd.	6,906,052	11,359,050	-	11,359,050	-	-	1,649,350	6.94
XiaMen Cheng Shin Enterprise Co., Ltd.	1,681,885	8,664,389	649,587	8,014,802	4,539,248	736,401	858,943	-
MAXXIS Tech Center Europe B.V.	33,900	58,156	4,686	53,470	66,522	3,345	2,619	2.62
Cheng Shin Rubber (Vietnam)Ind. Co., Ltd	1,452,902	4,699,831	1,894,862	2,804,969	5,369,799	1,203,992	1,051,141	16.95
MAXXIS International (Thailand) Co., Ltd.	5,882,500	18,028,477	9,477,739	8,550,738	14,696,685	640,208	598,253	9.20
MAXXIS International (HK) Ltd.	6,586,330	34,073,591	27	34,073,591	-	-	3,693,283	16.28
Cheng Shin International (HK) Ltd.	7,166,138	26,229,256	-	26,229,256	-	-92	5,719,594	23.18
PT. MAXXIS International Indonesia	2,206,634	3,682,884	1,335,523	2,347,361	-	-54,272	-107,242	-1
Cheng Shin (Xiamen) International Automobile Culture Center Co., Ltd.	615,896	702,814	229,936	472,878	554	-47,345	-54,274	-
Cheng Shin Logisitics (Xiamen) Co., Ltd.	66,539	267,823	67,980	199,843	462,762	46,091	38,493	-
CST Rubber (Zhangzhou) Ind. Co., Ltd.	4,386,150	13,081,208	7,425,022	5,656,186	7,260,864	1,087,694	791,024	-
Cheng Shin Tire & Rubber (Chong Qing) Co., Ltd.	3,010,773	10,521,907	4,859,324	5,662,583	8,378,730	2,204,834	1,738,865	-

Cheng Shin (Zhangzhou) Mechanical & Electrical Engineering Co., Ltd.	92,340	78,352	13	78,339	0	-1,790	1,279	-
CST Properties (Xiamen) Co., Ltd.	1,523,610	1,594,382	93,745	1,500,637	-	-3,119	-577	-
Maxxis Rubber India Private Limited	1,756,760	7,650,761	5,955,405	1,695,356	21,874	-55,371	-52,349	-
Kunshan Maxxis Tire Co., Ltd.	23,085	23,086	264	22,822	275	-400	-276	-
Maxxis Trading Company Limited	100,000	694,291	396,152	298,139	1,780,293	238,273	198,139	20

Note 1: Assets and liabilities are based on end-of-year exchange rates (US$1:

(US$1:NT$32.25;EUR$1:NT$333.9;CAD$1:NT$23.905;RMB$1:NT$4.617;THB$1:NT$0.905;VND$1:NT$0.00129;IDR$1:NT$0.00243;INR$1:NT$0.4748)

Profits and losses are based on weighted average exchange rates

(US$1:NT$32.2625;EUR$1:NT$35.6987;CAD$1:NT$24.3506;RMB$1:NT$4.84902;THB$1:NT$0.91893;VND$1:NT$0.00133;IDR$1:NT$0.00244;INR$1:NT$0.48268)

Note 2: Paid-in capital.

(3) Consolidated financial statement of affiliates:

For 2016 (January 1, 2016 through to December 31, 2016), companies that are required to be included in the consolidated financial statements of affiliates in accordance with *Criteria Gov*erning Preparation of Affiliation Reports, Consolidated Business Reports and Consolidated Financial Statements of Affiliated Enterprises are identical to those that must be included in the consolidated financial statements of parent and subsidiary under International Accounting Standard No. 27. Since matters that must be disclosed by consolidated financial statements of affiliates have been disclosed by consolidated financial statements of parent and subsidiary, no consolidated financial statements of affiliates are separately prepared.

(4) Report of affiliates: In the absence of any presumed subordinate, no such report is prepared.

8.2 Private placement of securities over the latest year and as at the date of the annual report: None.

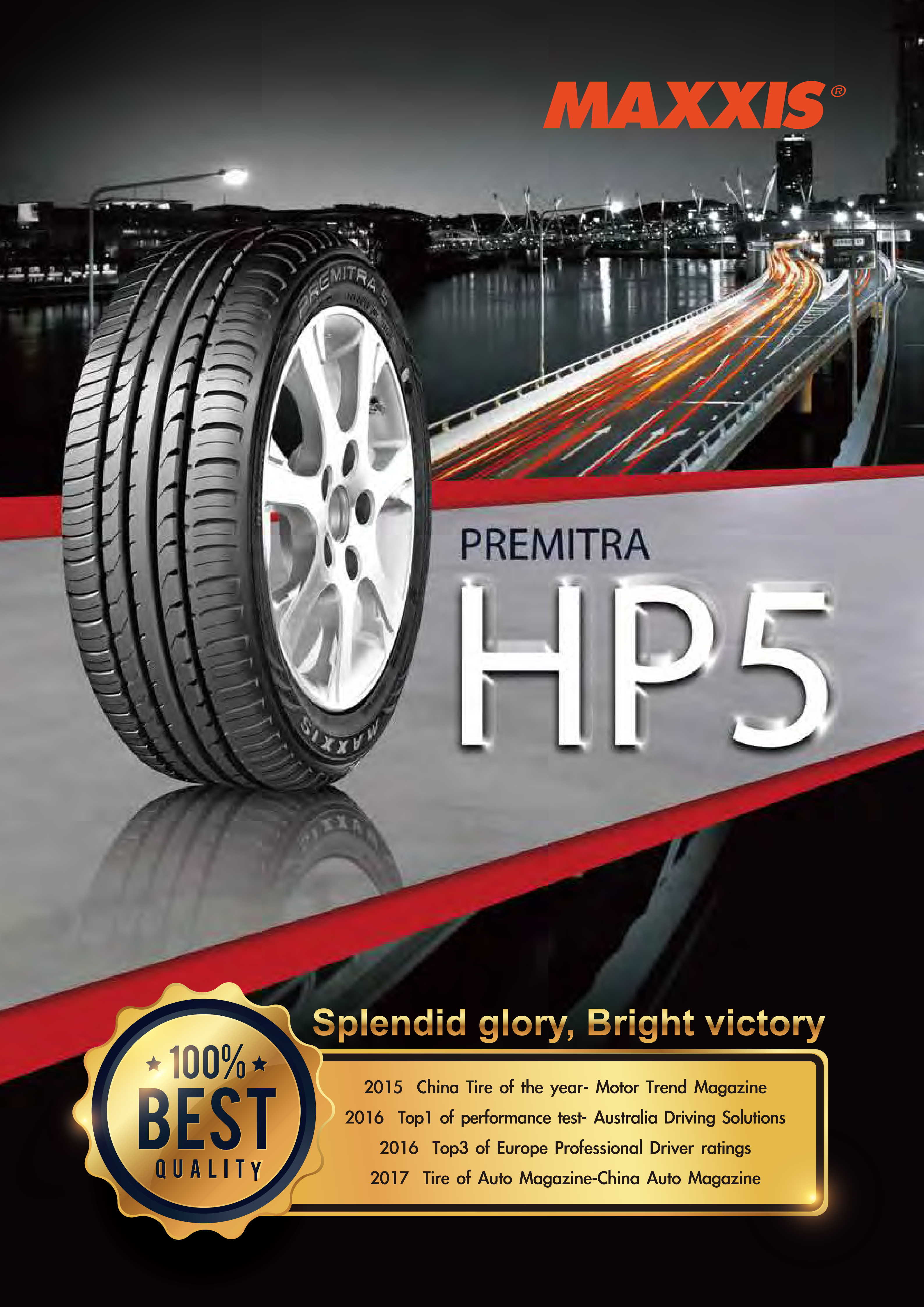
8.3 Shareholding or disposition of shares of the Company by any subsidiary over the latest year and as at the date of the annual report: None.

8.4 Other matters: None

8.5 Material matters specified by Article 36(3)(ii) of the Securities and Exchange Act that has a material impact on interests of shareholders or price of securities over the latest year and as of the date the annual report: None.

Cheng Shin Rubber Industry Co. Ltd. 

Chairman 


MAXXIS®
PREMITRA
HP5
Splendid glory, Bright victory
2015 China Tire of the year- Motor Trend Magazine
2016 Top1 of performance test- Australia Driving Solutions
2016 Top3 of Europe Professional Driver ratings
2017 Tire of Auto Magazine-China Auto Magazine
100%
BEST
QUALITY